



BLACK RIVER

PUBLIC SCHOOL

Holland, Michigan



Comprehensive Annual Financial Report

For the year ended June 30, 2007

and

120-day Audit Report

For the \$8,885,000 Michigan Public Educational Facilities Authority
Limited Obligation Revenue and Refunding Bonds
(Black River Public School Project), Series 2006

**Black River Public School
Holland, Michigan**

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Authority**

**Limited Obligation Revenue and Refunding Bonds
(Black River Public School Project), Series 2006**

***Prepared by
Dwight D. Avery
Director of Business Services***

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October 11, 2007

Members of the Board of Trustees
Black River Public School
491 Columbia Avenue
Holland, MI 49423-4838

Dear Board members:

This is the Comprehensive Annual Financial Report (CAFR) of Black River Public School (the "School") for the year ended June 30, 2007.

Management Responsibility

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School's management. To the best of our knowledge and belief, the information presented is fairly stated in all material respects and is reported in a manner which sets forth the financial position and results of operations of the various funds of the school in accordance with generally accepted accounting principals (GAAP). All disclosures necessary to enable a reader to gain an understanding of the School's financial activities have been included.

CAFR Report Organization

This 2007 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical.

1. *The Introductory Section.* This section includes the table of contents, this transmittal letter, and organizational data.
2. *The Financial Section* begins with the independent auditor's report on the financial statements, and includes Management's Discussion and Analysis report (MD&A), the Basic Financial Statements and Notes to Financial Statements that provide an overview of the School's financial position and operating results, and Supplementary Information, which comprises the Combining Statements for nonmajor governmental funds and other schedules that provide detailed information relative to the Basic Financial Statements. The MD&A report provides a more detailed analysis of the financial condition of the school. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The School received an unqualified audit opinion on its financial statements for the year ended June 30, 2007. The Notes to Financial Statements are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.
3. *The Statistical Section* presents selected unaudited financial and demographic information, generally on a multi-year basis.

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Reporting Entity

This report includes all funds of Black River Public School. The School is not included in any other “reporting entity” as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The School has no component units as defined in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Profile of the School

Black River Public School, established in 1996, is a not-for-profit public school academy – more commonly referred to as a charter school – which provides public education to students in grades 1-12 from the surrounding community. The School presents a Montessori approach to individualized learning in grades 1-5, a liberal arts focus in middle school grades 6-8, and a college preparatory high school education in grades 9-12 that includes an extensive Advanced Placement Program curriculum that provides all high school students an opportunity to earn college credit while in high school. A kindergarten grade is being offered for the first time in the fall of 2007.

Organization. Under the constitution and laws of the State of Michigan, the School is designated to be a body corporate, a public school, a governmental agency, and a school district that receives state school aid and may incur debt. The School has received IRS designation as a 501(c)(3) not-for-profit public charity.

Governance. The Board of Trustees of Black River Public School (the “Black River Board”), comprised of nine appointed officials, is the basic level of government that has financial accountability and control over all operations of the School. The accompanying financial statements present the activities of the School.

Oversight. The Black River Board operates the School under a charter contract approved by the Grand Valley State University (GVSU) Board of Trustees (the “University Board”). Pursuant to Michigan law, the University Board provides oversight by giving guidance in and review of compliance with state requirements and the terms of the charter contract.

Management. The School does not directly employ workers, but instead receives educational services and staffing pursuant to a management agreement with Education Associates, a non-profit Michigan corporation. Accordingly, the School does not participate in the Michigan Public School Employees’ Retirement System (MPERS), which is a cost-sharing, multiple employer, state-wide, defined benefit retirement plan. The Black River Board is a policy-making and planning body whose decisions are carried out by school administrators employed by the management company. Pursuant to the management agreement, Black River reimburses without markup the staffing costs incurred by Education Associates, including the cost of employer contributions into qualifying employees’ 401(k) retirement accounts with the Education Associates Retirement Plan. The funding rate is 10 percent of qualifying employee wages. This retirement cost has been significantly lower than the rate paid by MPERS member schools, which was 17.74% of payroll for fiscal 2007.

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Economic Condition and Outlook of Local Economy

Black River Public School is physically located at the center of the city of Holland, Michigan, near the downtown business district and close to Hope College, a private, four-year, liberal arts college. As a public school academy, the School itself cannot levy property taxes. It does receive some local property tax support through the Ottawa Area Intermediate School District (OAISD), which levies an ISD-wide "Act 18 Millage" to support special education programs for its constituent school districts and charter schools. This Act 18 revenue comprises approximately 5 percent of total revenues.

Michigan voters approved a state constitutional amendment in 1994, which shifted funding of public schools from local property tax revenues to State School Aid funded by an increased state sales tax and other state revenue sources. Black River receives the same state funding per student as the traditional school district in which it is located. The School's per student foundation allowance provides 97 percent of the school's state revenues, which equals 80 percent of total operating revenues.

The School's business model is different from a traditional public school district, which must accept any district resident of school age that arrives at the district's doorstep. As required of every public school academy in Michigan, Black River has an open enrollment period each year, does not discriminate in its enrollment and admission policies and practices, and does not charge tuition. Black River is allowed to administer an admissions policy whereby the School determines if additional grades will be added – a kindergarten has not been offered in the past, but is being added for Fall 2007 – and then, at the close of open enrollment in the spring, determines the number of spaces that will be available at each offered grade in the fall. This allows the School to plan its growth by each year establishing a limit on the size of its student body as a whole and each grade in specific.

The School competes with other traditional public schools, charter schools, and private schools in the Holland area. The School has consistently drawn over 75 percent of its student population from within the boundaries of the Holland and West Ottawa traditional school districts (see Schedule C-2 at page 52). Every currently-enrolled family is contacted by a Black River Board member each spring for feedback on operations of the School and to solicit references to receive information about Black River. As required by the State School Aid Act, Black River also advertises its open enrollment and recruiting activities in the local media.

Major Initiatives

Construction Project Completion in 2006-07. Within the 12-month period of fiscal 2006-07 Black River broke ground and substantially completed construction of a 20,000 square foot new facility to house a gymnasium, cafeteria, and music facilities on the existing Black River campus with a total project cost of \$3.075 million (see further discussion in the Capital Assets section of management's, discussion and analysis beginning on page 10). Combined with minor modifications to existing space, the school's capacity is increased by approximately 100 students and allows space to increase high school enrollment to 80 students per grade. The new facility provides improved cafeteria space and allows for physical education classes and interscholastic athletic activities to be held indoors onsite for the first time. For the flourishing music program, the new space includes classrooms designed specifically for larger ensembles,

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as well as three individual practice rooms and a chamber music rehearsal room for students working on solos and small ensembles.

Addition of Kindergarten Program for 2007-08. Black River was founded in 1996 with middle school and high school grades and then added an Upper Elementary Montessori program for grades 4 and 5 for the 2001-02 school year, and a Lower Elementary Montessori for grades 1, 2 and 3 beginning in fiscal 2004-05 (see Schedule D-1 at page 58). For the past three years, students enrolling in the 1st grade entry point have had to choose a competing school system to complete the kindergarten year before enrolling in Black River's first grade. A Kindergarten Task Force of board members, administrators, faculty and parents was commissioned by the Board of Trustees to consider the logistical and financial feasibility of offering a "Children's House" program that would include not only kindergarten-age students, but also adhere to the Montessori classroom ideal of a three-year range of pupils by including pre-K students one and two years younger. The Children's House method is designed to encourage an interactive social and learning environment among children from 3 to 6 years of age and allows flexibility in learning pace and allows older children to become teachers by sharing what they have learned. A Children's House would have resulted however in tuition-paying preschool students in the same classroom as public school kindergarteners and would have necessitated - based on space constraints - a kindergarten enrollment smaller than the next year's first grade class. After careful review the task force recommendation approved by the Board of Trustees was to open a standalone kindergarten-only program that would allow for two half-day sections of a standalone kindergarten focused on preparation for advancement to the Lower Elementary first grade.

The Kindergarten Task Force also considered where to house the kindergarten. After careful consideration of other options, such as use of existing classroom space or increasing modular building use, the task force and Board of Trustees chose to renovate 2,000 square feet of space in an existing storage building located centrally amidst the main secondary building, the gymnasium, and the new addition. A \$200,000 renovation project began in June 2007 with completion scheduled in advance of the start of the 2007-08 school year.

New Instructional Leadership Teams and Performance Pay for 2007-08. As Black River has grown from 209 students in 1996-97 to 710 students for 2006-07 the leadership structure did not change significantly from having one Head of School that has filled the executive administrator (superintendent) function, as well as the school administrator (principal) function for the high school, middle school, and elementary levels. The Head of School has been responsible for evaluations of instructional staff at all levels. The Board of Trustees commissioned a Faculty Development Task Force that spent the past year evaluating where Black River has been and where the school is going in terms of advancing staff members and rewarding job performance. The assignment of the task force was to consider compensation and staff development models that promote outstanding student performance, encourage teacher instructional leadership, and maintain a culture of innovation. Upon the task force's recommendation the comprehensive new instructional leadership structure was approved.

Effective for the 2007-08 academic year, the instructional staff will be divided into five teams, with multiple curriculum departments within each team. The initial team structure is as follows:

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Mathematics & Science team

Math department

Science department

Humanities team

English department

History department

Fine Arts & Foreign Language team

Spanish department

Art department

Music department

Student Support team

Special Education department

Reading/Literacy department

Elementary team

Upper Elementary department

Lower Elementary/Kindergarten department

Team Leaders will be responsible for supervision and evaluation of the members of their teams, which average about 12 teachers per team for the 2007-08 academic year. Department Chairs will be responsible leadership of curriculum and instructional-methods issues for their departments. At the start of the academic year, each team is to develop measurable team goals for approval by the newly-created Goals Development & Review Committee of the Board of Trustees.

An integral aspect of the new leadership structure is performance bonus potential available to all teachers. Progress toward meeting or exceeding goals will be evaluated at the end of the academic year to determine the year-end bonus. To promote a collegial *esprit de corps* whereby team members are encouraged to work together to help each other, every member of a team will earn the same percentage bonus, based on attainment by the team of team goals. Team Leaders and Department Chairs will receive the teacher bonus plus an additional stipend based on a multiple of the bonus for their effort in their leadership roles. The 2007-08 general fund budget (see summary on page 15) includes appropriation of \$90,000, which assumes full bonus potential to be realized.

Internal Control Structure

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the School are protected from loss, theft, or misuse; and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The School maintains budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the School's Board of Trustees. Activities of the

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general fund and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. As demonstrated by the statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

Cash Management

As charter authorizer, Grand Valley State University (GVSU) has the statutory designation of fiscal agent to receive and distribute the School's state school aid payments. Pursuant to the financing agreement for the \$5.77 million Full Term Certificates of Participation Series 2000 (the "Certificates") the School granted a security interest in 20 percent of its state school aid revenues in support of the Certificates (the "2000 State Aid Pledge"). The School irrevocably authorized GVSU to pay the Pledged Revenues each month directly to the Trustee. GVSU also deducted its charter oversight fees and sent the remainder to the School.

On July 25, 2006, the School advance refunded the Certificates with a portion of the proceeds from the issuance of the \$8.885 million Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 (the "Bonds") (see Debt section of management's discussion and analysis beginning on page 11 and Note 8-Long Term Debt beginning on page 35). At the time of the advance refunding the 2000 State Aid Pledge was released and the School pledged 20 percent of each year's state school aid in support of the Bonds (the "2006 State Aid Pledge"). Under the financing agreement for the Bonds, the Treasurer of the State of Michigan (the "State Treasurer") was irrevocably directed, starting in October 2006, to transmit an amount equal to 1/11 of the annual debt service under the Bonds directly to the Trustee on each of the School's eleven state aid payment dates for each fiscal year; provided that the total amount transferred for any fiscal year shall not exceed 20 percent of the School's state school aid for that year. The State Treasurer is also directed to pay the School's charter oversight fees directly to GVSU. At current and projected enrollment levels the 20 percent pledged revenues exceed the debt service requirement and accordingly the Trustee is directed to forward the excess on to the School.

Each year the Director of Business Services prepares a general fund cash forecast to determine the timing differences between revenues and expenditures. The School's State School Aid revenue, which comprises 85 percent of total operating revenues, is received in 11 roughly equal payments from October 20 of the current year (two months after classes begin) through August 20 following fiscal year end. Three-elevenths of the State School Aid is received after students have been dismissed for the summer in mid-June. Expenditures may be incurred evenly throughout the year (e.g., staffing and benefit costs), skewed toward the beginning of the academic year (e.g., textbook purchases), or may involve one-time expenditures (e.g., capital outlays). The cash forecast is the basis for an application to the State Treasurer for approval of a revolving line of credit from a local banking institution, for which the School is required to pledge 30 percent of the year's State School Aid. The School's cash management operations involves making draws on the line of credit to fund staffing and accounts payable, and making payments on the line of credit when State School Aid funds and other revenues are received. The management of restricted cash held in the debt service fund is performed by the Trustee pursuant to the trust agreement.

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Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. The School is also potentially exposed to its management company's risks related to injuries to its employees, and errors or omissions. The School maintains comprehensive insurance coverage through a commercial insurance carrier, including "workers compensation without employees" coverage. The School's management company, Education Associates, maintains coverage for workers compensation (with employees), errors and omissions, and property and liability with the same insurance carrier.

Independent Audit

Annual Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected this year to conduct the audit. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the statements are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

120-Day Bond Audit. State law requires an audit of bonding activities by independent certified public accountants be conducted within 120 days after completion of all projects financed by the proceeds of bonds and that the 120-day bond audit report be submitted to the Michigan Department of Treasury. The final payment of project portion of the proceeds of the *Michigan Public Education Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006* (the "Bonds") was made, and substantial completion of the project was attained, in June 2007. The 120-day bond audit for the project portion of the Bonds was performed by Rehmann Robson in conjunction with the annual audit of the School's financial statements. The independent auditor concluded, based upon the 120-day bond audit, that there is a reasonable basis for rendering an unqualified opinion that the required schedule on page 68 is presented in conformity with GAAP. The independent auditor's 120-day bond audit report is presented on page 67.

Accomplishments and Awards

The School's Advanced Placement (AP) program received recognition in a ranking published by the *Washington Post* and *Newsweek*. The ***Washington Post Challenge Index*** ranks high schools by the ratio of the number of AP and International Baccalaureate (IB) tests taken by all students at a school divided by the number of graduating seniors. Black River was positioned at ***Number 257 in the national ranking***, which listed the top 1300 schools, and placed as the ***Number 2 high school in Michigan*** out of approximately 900 public and private high schools in the state. Black River's index of 2.447 is a reflection of the number of AP classes for which Black River students received scores worthy of college credit.

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Senior **Jamie Wernet** was named a **National Merit Finalist** by the National Merit Scholarship Corporation and was awarded a four-year **National Merit Finalist Scholarship** by Arizona State University. Less than one percent of seniors are identified each year as National Merit Finalists, initially meeting criteria based on their PSAT/NMSQT performance in the fall of their junior year.

A total of 19 Black River students earned one of the AP Scholar designations by the College Board in recognition of their exceptional achievement on the college-level Advanced Placement Program (AP) Exams. Senior **Mary Zeller** earned the **National AP Scholar Award** by earning an average grade of 4 or higher on a 5-point scale on all AP Exams taken, *and* grades of 4 or higher on eight or more of these exams. Senior **Lauren Creek** and juniors **David Bos** and **Christine Crosby** each earned the designation of **AP Scholar with Distinction** by earning an average grade of 3.5 on all AP Exams taken, *and* grades of 3 or higher on five or more. Seven other students qualified for the **AP Scholar with Honor Award** by averaging at least 3.25 on all AP Exams taken, *and* scoring 3 or higher on at least four.

The **Black River High School Advanced String Orchestra** earned First Division ratings at the Michigan High School Band and Orchestra Association's district and state festivals and was chosen to give a **performance at DeVos Hall** in Grand Rapids for the Michigan Music Conference.

Performing the first movement of Camille Saint-Saëns' *Violin Concerto No. 3 in B minor*, sophomore **Luke Panning** was the winner of the Grand Rapids Youth Symphony's **Skip Gates Concerto Competition**.

For his essay on youth and conflict, senior **Jonathan Beagley** was the state runner-up in the **National Peace Essay Contest** sponsored by the United States Institute of Peace.


The Association of School Business Officials International (ASBO) awarded a **Certificate of Excellence in Financial Reporting** to Black River Public School for its **Comprehensive Annual Financial Report** for the fiscal year ended June 30, 2006. This was the second year that the School received this award. This award, valid for one year, certifies that the report substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. We believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence Program requirements, and we are submitting it to ASBO to determine its eligibility for a certificate.

Acknowledgment

Sincere appreciation is extended to Rehmann Robson for their guidance and direction in the preparation of this comprehensive annual financial report.

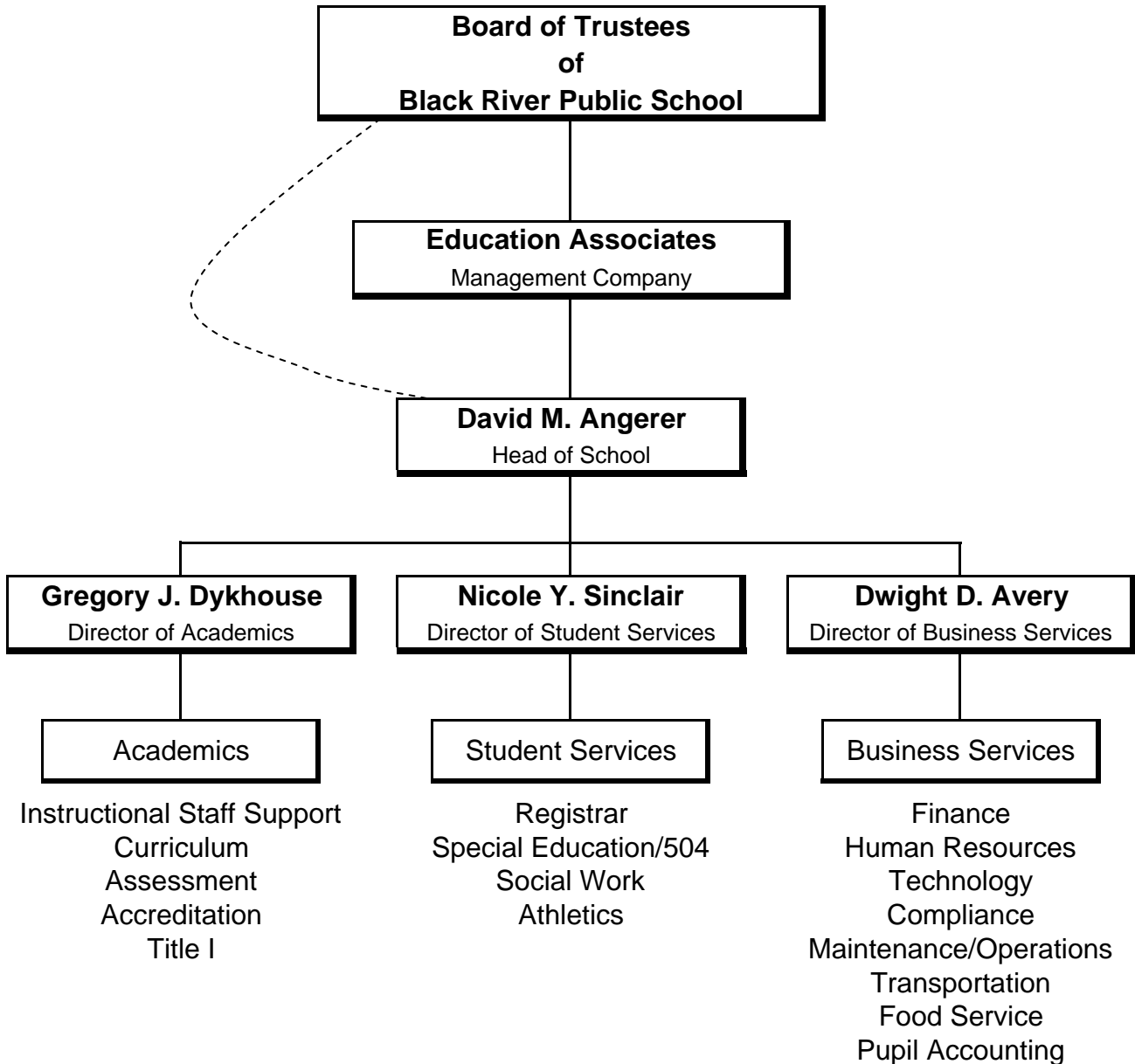
We would also like to express our appreciation to the members of the Board of Trustees for their continued interest and support in planning and conducting the financial operations of Black River Public School in a responsible and progressive manner.

Respectfully submitted,


David M. Angerer
Head of School


Dwight D. Avery
Director of Business Services

Black River Public School
Organizational Chart
Year ended June 30, 2007



Black River Public School
List of Principal Officials
Year Ended June 30, 2007

Board of Trustees

	Member Since	Term Expires
Barbara A. Zeller, <i>President</i>	1/10/2000	6/30/2008
Thomas F. Guarr, Ph.D., <i>Vice President</i>	2/17/2003	6/30/2008
Mary M. Mims, J.D., <i>Secretary</i>	10/10/1997	6/30/2009
James C. Hook, Jr., <i>Treasurer</i>	10/11/1996	6/30/2008
Mitchell W. Padnos, <i>Trustee</i>	4/26/1996	6/30/2009
Robert L. Sligh, Jr., <i>Trustee</i>	12/17/2001	6/30/2010
Ruth A. Crouch, <i>Trustee</i>	11/15/2004	6/30/2010
Victor V. Claar, Ph.D., <i>Trustee</i>	10/17/2005	6/30/2010
John J. Krupczak, Jr., Ph.D., <i>Trustee</i>	10/17/2005	6/30/2009

School Administration

David M. Angerer	Head of School
Gregory J. Dykhouse, Ph.D.	Director of Academics
Nicole Y. Sinclair	Director of Student Services
Dwight D. Avery, CPA	Director of Business Services



MISSION STATEMENT

Our mission is to prepare each student for college and for life through a challenging curriculum which accommodates individual learning styles. We want to have our students discover responsibility for their own lives as well as empathy for all people and cultures. Through a deep respect for independent thinking, we strive to guide our students in their personal growth toward a genuine self-knowledge so that they can achieve their full human potential.

<p style="text-align: center;">BELIEFS</p> <p>We believe the school's responsibility in education is to bring curiosity, challenge, pleasure and a sense of accomplishment into our students' lives.</p> <p>We believe it is through commitment and determination that students stretch the limits of their minds in the joy and celebration of learning.</p> <p>We believe education must not be a race for the accumulation of facts, but should provide the basic tools and ideas for learning so that education will be an enriching end in itself.</p> <p>We believe certain skills to be essential for all of our graduates: To read well, to write clearly and coherently, to study effectively, to reason soundly, and to question thoughtfully and creatively.</p>	<p style="text-align: center;">METHODS</p> <p>Our faculty are academic coaches, providing academic leadership as well as guidance toward learning and personal growth. We embrace the Socratic method and experiential learning as primary pedagogical tools.</p> <p>Students will acquire the knowledge and skills needed to make personal decisions leading toward physical and emotional well being.</p> <p>There will be a clear disciplinary code for all students.</p> <p>Everything taught at our school endeavors to be a life-long skill, whether it be literary, linguistic, athletic, artistic, scientific, mathematical or historical.</p>
<p style="text-align: center;">CURRICULUM</p> <p>Our Core Curriculum will be English, foreign language, mathematics, history and politics, natural sciences, the arts and applied technology. All courses will be taught within an integrated curriculum, demonstrating relationships among the fields of study.</p> <p>Students will experience a progression of learning based not on chronological age, but on understanding.</p> <p>Our students will be provided with non-language-based processes for intuitive insight and the development of meaning, in addition to rational academic processes.</p> <p>Our curriculum includes involvement with the local community and concern for worldwide issues, which aid in discovering an ability and a responsibility to make a difference in the world. Our students will participate in service and extra-curricular projects within the Greater Holland communities.</p>	<p style="text-align: center;">CULTURE</p> <p>To succeed in our mission we need the students' and parents' active partnership and agreement with the School Mission, which includes a personal commitment to serious academic challenge.</p> <p>The atmosphere of the school is that of a safe place in which students feel free to develop individual ideas and styles. Our faculty stresses unanxious expectations; making errors is a necessary part of the learning process.</p> <p>The culture of our school is one of mutually respectful interaction between adults and students; we recognize the need of living enlightened and humane lives.</p> <p>We encourage a student population of social, economic and racial diversity.</p> <p>We will be an Elementary School, a Middle School and a High School and strive for a small population of students of approximately 800, and classes will be targeted to be an average class size of 20.</p>

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

BLACK RIVER PUBLIC SCHOOL

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

October 11, 2007

Board of Trustees
Black River Public School
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BLACK RIVER PUBLIC SCHOOL**, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Black River Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School as of June 30, 2007, and the respective changes in financial position, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2007 on our consideration of Black River Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Black River Public School's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of Black River Public School's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Black River Public School

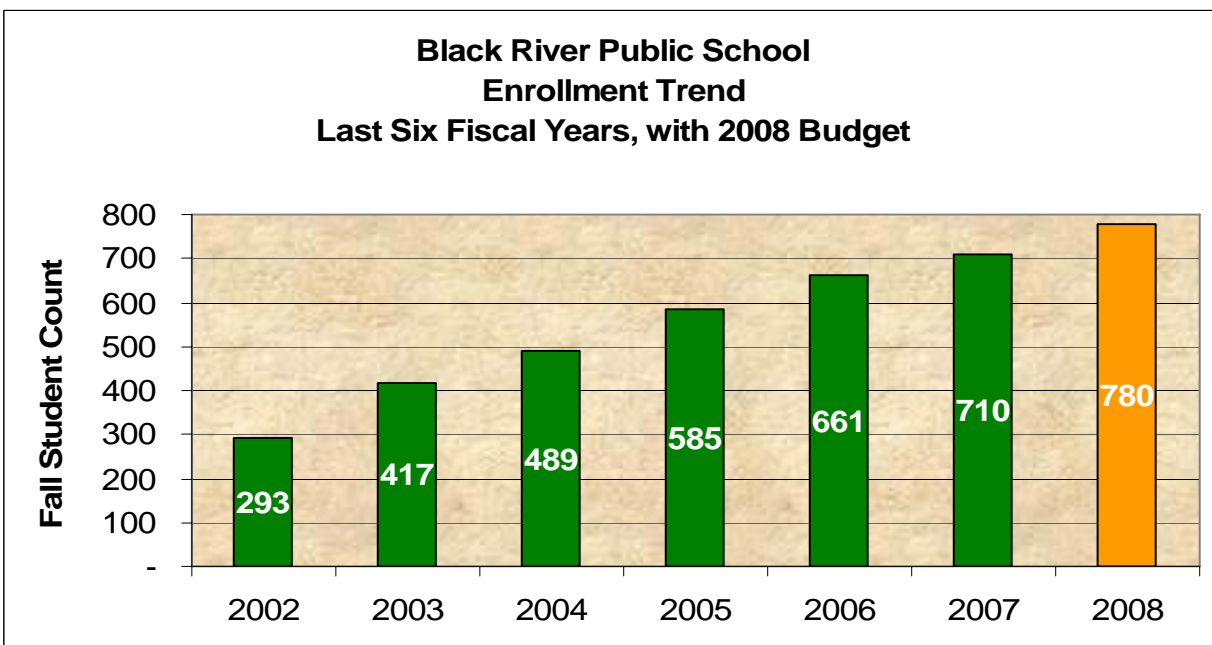
Management's Discussion and Analysis

For the Year Ended June 30, 2007

As management of Black River Public School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found in the introductory section of this report, and the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Enrollment in grades 1-12 increased 7.4% to 710, its highest level ever.
- Net assets increased by \$764,000, or 15%, over June 30, 2006.
- Overall revenues were \$6.16 million compared to \$5.34 million of expenses.
- Black River's general fund revenues rose 15.3% to \$5.81 million, \$314,000 more than expenditures and other financing uses.
- General fund instruction and support services costs, a measure of the cost of day-to-day school operations, rose 14.4% to \$4.5 million.
- A 20,000 square foot facility with music, cafeteria, and gymnasium space was constructed and placed in service during the year with a project cost totaling \$3.075 million.
- The capital fundraising campaign reached completion with \$136,000 in gifts and promises-to-give received during the year. Pledges and gifts over the three-year campaign totaled \$1.3 million.
- \$8.885 million in long-term debt was issued, the proceeds of which paid \$2.60 million toward the building project, and also advance refunded \$5.44 million in debt with a net present value saving of \$276,000, or 5.072% of the refunded debt.



Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Black River Public School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the School as a Whole

The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about Black River's overall financial status. These are the Statement of Net Assets and the Statement of Activities, which report the School's net assets on page 18 and changes in those assets on page 19. These statements use a full accrual basis of accounting, which is similar to the accounting used by private sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Reporting the School's Most Significant Funds

The remaining statements are *fund financial statements*, which begin on page 20 and focus on individual parts of the School, reporting the School's operations in *more detail* than the *government-wide* statements.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School acts solely as a *trustee or agent* for the benefit of others. Student activity funds, for example, are held in a school bank account on behalf of the student groups.

The fund financial statements are reported on a modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Using this basis of accounting, the fund financial statements recognize revenues when both measurable and available as more fully described in the notes to the financial statements. The relationship (or differences) between governmental activities (as reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *supplementary information*, which provides detail on original budget and final budget with a comparison to operating results.

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

**REPORTING THE SCHOOL AS A WHOLE:
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the governmental activities of Black River as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities, both short and long term, regardless of whether they are "currently available." For example, assets that are restricted for use in the Debt Retirement Fund solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

The Statement of Net Assets on page 18 provides the perspective of the School as a whole. Black River Public School experienced an increase in net assets of \$764,337 (15.2%). The following table shows the condensed statement of net assets compared to prior year.

***Condensed Statement of Net Assets
(dollars in thousands)***

	Governmental Activities		Percentage Change
	<u>2006</u>	<u>2007</u>	<u>2006-2007</u>
Current and other assets	\$ 2,648	\$ 3,311	25.0 %
Deferred charges	-	298	---
Capital assets, net	<u>9,193</u>	<u>11,956</u>	30.1
Total assets	<u>11,841</u>	<u>15,565</u>	31.5
Long-term debt outstanding	5,862	8,725	48.8
Deferred loss on refunding	-	-342	---
Other liabilities	<u>957</u>	<u>1,395</u>	45.8
Total liabilities	<u>6,819</u>	<u>9,778</u>	43.4
Net assets:			
Invested in capital assets, net of related debt	2,964	2,629	-11.3
Restricted	1,484	2,235	50.6
Unrestricted	<u>574</u>	<u>923</u>	60.8
Total net assets	<u>\$ 5,022</u>	<u>\$ 5,787</u>	15.2

The construction project and related financing contributed to increased capital assets and long-term debt balances reported on the statement of net assets. A more detailed discussion of these changes may be found in the Capital Asset and Debt Administration section beginning on page 10.

The *deferred charges* amount shown above represents the unamortized balance of the total of underwriter's discount and closing costs for the current year's Series 2006 bond transaction (a deferred charge of \$309,000 at closing, recorded as an asset). The \$342,000 year-end balance

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

for *deferred loss on refunding* represents the unamortized balance of a \$355,000 item recorded as a liability offset as of the transaction closing date. The original balance was the difference between (a) the \$5.955 million escrow deposit that defeased the refunded debt, and (b) the \$5.600 million net carrying value of the defeased debt that included \$5.44 million of principal plus \$160,000 of accrued interest. Both of these deferred items are being amortized to government-wide interest expense over the 26-year term of the bonds.

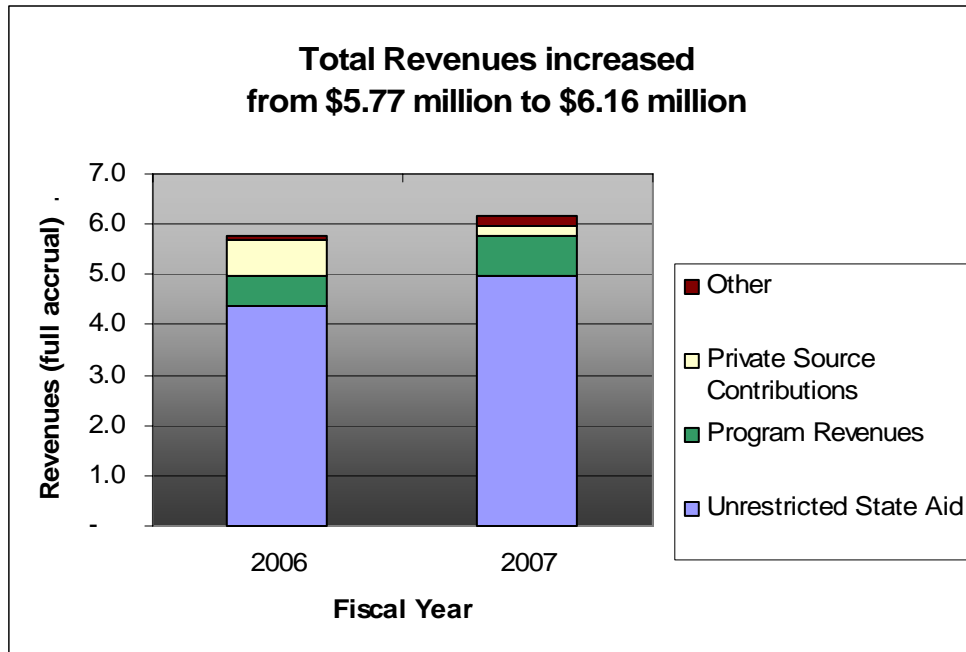
The following table presents the revenues and expenses for the current fiscal year compared to prior year for the School as a whole.

***Changes in Net Assets from Operating Results
(in thousands of dollars)***

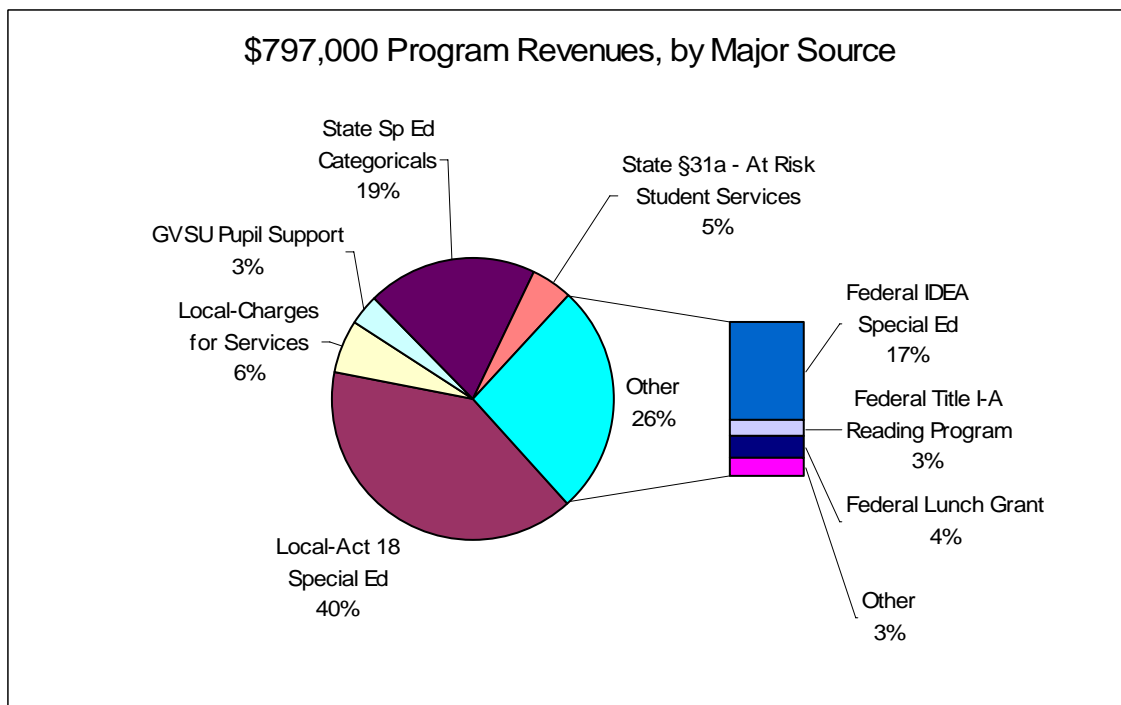
	Government Activities		Percentage Change
	<u>2006</u>	<u>2007</u>	<u>2006-2007</u>
Revenues:			
Program revenues			
Charges for services	\$ 44	\$ 49	13.4 %
Operating grants & contributions	541	748	38.3
General revenues			
State school aid, unrestricted	4,389	4,966	13.1
Other	<u>791</u>	<u>397</u>	-50.2
Total revenues	<u>5,765</u>	<u>6,160</u>	6.9
Expenses:			
Instruction	2,642	3,061	15.9
Support Services	1,547	1,692	9.3
Food Service	67	62	-6.3
Athletics	56	66	18.5
Bookstore	9	12	28.9
Interest on debt	<u>410</u>	<u>503</u>	22.7
Total expenses	<u>4,731</u>	<u>5,396</u>	14.1
Increase in net assets	<u>\$ 1,034</u>	<u>\$ 764</u>	

As reported in the Statement of Activities on page 19, the cost of all governmental activities was \$5.396 million, an increase of \$665,000, or 14.1%, from the prior year. Certain activities were partially funded by those who benefited from the programs (charges for services of \$49,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$748,000). The remaining "public benefit" portion of governmental activities was funded with \$4.966 million in unrestricted state school aid, \$218,000 in capital and unrestricted operating contributions, and with other revenues such as interest. Total revenues were \$6.16 million, an increase of 6.9% from the prior year.

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**



Program revenue is made up of Charges for Services and Operating Grants and Contributions. The composition of program revenue is illustrated by the following graph.



The \$211,000 increase (36%) in program revenues is largely due increases in three categories of categorical program revenues that support special education programs.

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

*Categories of special education funding with significant increases
(dollars in thousands)*

	<u>2006</u>	<u>2007</u>	<u>Incr.</u>	<u>Pct</u>
Local Act 18 millage revenue	\$ 209	\$ 317	\$ 108	52%
State Aid §51a revenue	-	84	84	-
Federal IDEA revenue	<u>109</u>	<u>135</u>	<u>26</u>	24
Total	\$ 317	\$ 536	\$ 219	41

The allocations to Black River for special education categorical program revenues are generally based on formulas that include one or more of the following factors, depending on the particular category: (1) the pool of revenues allocated to the population of schools participating in the particular local, state, or federal program; (2) current and/or prior year student counts for either special education, general education, or both; and (3) the amount of special education costs incurred that are eligible for funding by the particular program. Any special education revenue (except for the special education foundation allowance) not spent on eligible special education costs is billed back by the fiscal agent during the following year as an adjustment to that following year's allocation. Beginning with the current year, the School has opted to estimate the effect of any future period adjustment so that it may be reflected in the current period financial statements.

For example, the school's Act 18 revenue for 2005-06 was reduced by \$66,392 when the program's fiscal agent calculated in March 2006 a refund due for prior year (2004-05) Act 18 payment. Black River had been eligible for the amount originally paid, but after all year-end accruals and adjustments for the previous year were considered, it was determined by the fiscal agent that revenues had exceed spending by this amount. For the current year (2006-07), the School recorded Act 18 revenue of \$316,896, which represented \$328,165 current year revenue net of a reduction of \$11,269 for a prior year adjustment created when special education spending for 2005-06 was determined to have been this amount lower than payments received for that year. The effect of the following year (2007-08) "special education funding equation adjustment" has been estimated and therefore \$22,626 of the final 2006-07 Act 18 payment was recorded as a payable back to the fiscal agent when received and not recorded as current year revenue. This will reduce any financial statement adjustment to 2007-08 revenue calculated in by the fiscal agent in the spring of 2008 by this amount.

**REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS:
FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the school organization as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law, while other funds may be established by the School to help manage money for particular purposes.

The School has two kinds of funds:

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

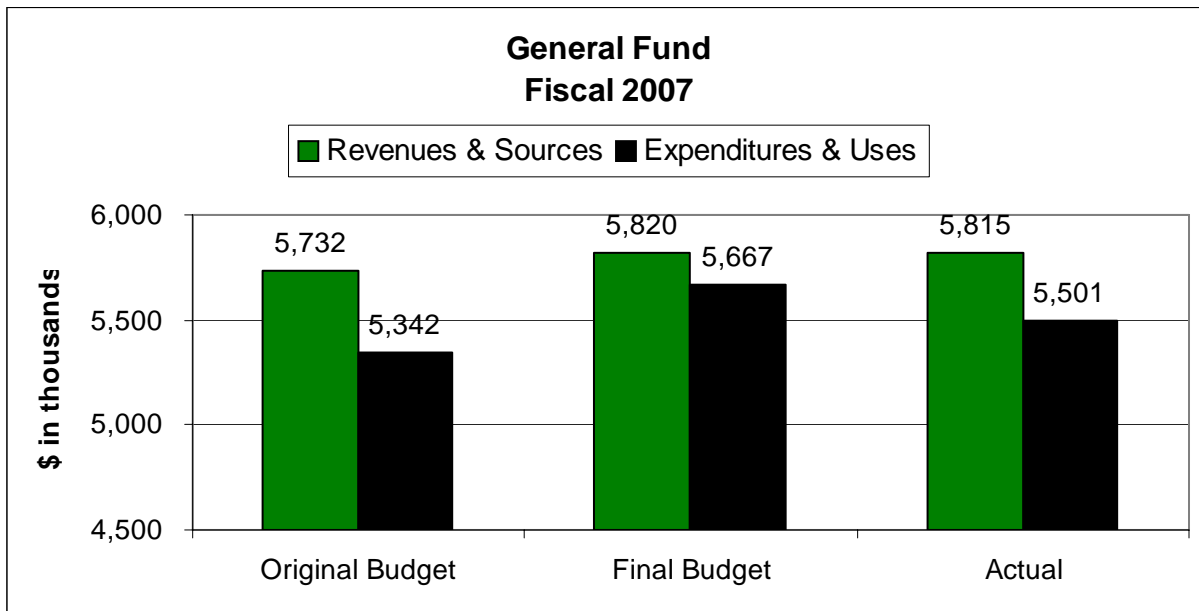
- **Governmental Funds:** Most of the School's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements on pages 20 and 22 provide a detailed short-term view that helps to illustrate whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information follows each Governmental Funds statement on pages 21 and 23 to explain the relationship (or reconcile the differences) between the government-wide statements and Governmental Funds statements.

Black River's Governmental Funds include the general fund, capital projects fund, debt service fund and special revenue funds.

- **Fiduciary Funds:** The School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds or student activities. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activity balances are reported in a separate Statement of Fiduciary Assets and Liabilities on page 25. The School excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

General Fund Budgetary Highlights

As required by state law, the Board of Trustees adopted a balanced budget prior to the start of the fiscal year. During the fiscal year ended June 30, 2007, the School revised the general fund budget twice. The general fund actual results and the original and final budgets are summarized in the following table.



**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Revenues. The overall difference between the original budget and the final amended budget for revenues reflected an increase of \$92,000 (1.6%). Actual allocations for state and federal sourced revenues are not available until after the start of the fiscal year, and therefore estimates must be made for the original budget.

Actual general fund revenues were \$5,339 (0.09%) less than the final budget.

Expenditures. The final amended budget for general fund expenditures and other financing uses was greater than the original budget by \$325,000 (6.1%). Actual expenditures and other financing uses were \$166,000 (2.9%) favorable to the final budget. Spending was less than or equal to the final budget appropriations in every functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, Black River had invested \$11.96 million in capital assets net of depreciation, an increase of \$2.76 million (30%) from the prior year. The following schedule presents capital asset balances net of depreciation as of the current and prior year year-end dates.

<i>Capital assets, net of depreciation (in thousands of dollars)</i>	Governmental Activities	
	<u>2006</u>	<u>2007</u>
Land and improvements	\$ 452	\$ 452
Construction in progress	148	127
Buildings and improvements	8,439	11,141
School buses	38	29
Furniture and equipment	<u>116</u>	<u>207</u>
	<u>\$ 9,193</u>	<u>\$ 11,956</u>

An analysis of the \$2.763 million increase in net capital assets is provided by the table on the next page. The new gymnasium/cafeteria/music building project accounted for most of the current year's net change. The facility was placed in service prior to the fiscal year-end date and was substantially complete except for the final layer of paving for the new parking lot, which was to be finished in July 2007.

\$2.589 million of the music / gym project costs were paid out of the proceeds of new long-term borrowing (see *Debt* section beginning on the next page), \$49,000 from interest earned on the proceeds, and the remainder was paid from donor gifts collected as a result of the School's capital fundraising campaign. Additional information about the School's capital assets can be found in note 4 on page 33.

Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Analysis of changes in capital assets

(in thousands of dollars)

	<u>Music / Gym Project</u>	<u>Kindergarten Building Project</u>	<u>Other Capital</u>	<u>Total</u>
Capital assets placed in service:				
Building	\$ 2,937	\$ -	-	\$ 2,937
Equipment & furnishings	76	-	41	117
Site work	<u>62</u>	<u>-</u>	<u>-</u>	<u>62</u>
Total	3,075	-	41	3,116
Construction in progress:				
Less CIP at 6/30/06	(148)	-	-	(148)
Plus CIP at 6/30/07	<u>35</u>	<u>92</u>	<u>-</u>	<u>127</u>
Current year capital additions	2,962	92	41	3,095
Less current year depreciation	<u>(22)</u>	<u>-</u>	<u>(310)</u>	<u>(332)</u>
Change in capital assets, net	\$ 2,940	\$ 92	\$ (269)	<u>\$ 2,763</u>

Debt. At June 30, 2007, Black River had \$9.33 million in outstanding debt, which represents an increase of 49.7 percent. The following table summarizes long-term debt as of the current and prior year-end dates.

Outstanding debt

(in thousands of dollars)

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2007</u>
Series 2006 bonds:		
Refunding bonds	\$ -	\$ 5,945
Project financing bonds	-	2,415
Special sinking fund bonds	<u>-</u>	<u>450</u>
	-	8,810
Series 2000 certificates of participation	5,440	-
Capital lease obligation - school buses	37	-
Note payable – 2003 classrooms	186	105
Note payable – 2004 classrooms	289	204
Note payable to BASF Corp.	<u>277</u>	<u>208</u>
	<u>\$ 6,229</u>	<u>\$ 9,327</u>

In July 2006 the School closed an \$8.885 million conduit borrowing transaction. Proceeds of the *Michigan Public Education Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project)*, Series 2006 were used for two general purposes: (a) to pay a portion of the building project costs, and (b) to advance refund the outstanding \$5.44 million balance of the \$5.77 million Series 2000 certificates of participation, which had funded renovations to the School's main building. Bond proceeds were also used to fund a debt service reserve, and pay the underwriter discount and closing costs.

**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

MPEFA (Black River Project) Series 2006 Bonds

<i>Sources and uses of funds (in thousands of dollars)</i>	New Portion	Refunding Portion	Total
SOURCES OF FUNDS			
Par amount of bonds issued	\$ 2,940	\$ 5,945	\$ 8,885
Premium / (discount)	(7)	7	-
From Series 2000 debt service reserve	<u>-</u>	<u>678</u>	<u>678</u>
Total sources of funds	<u>2,933</u>	<u>6,630</u>	<u>9,563</u>
USES OF FUNDS			
Payment of project costs	2,602	-	2,602
Payment to refunding escrow agent	-	5,955	5,955
Deposits to Series 2006 debt service reserve	231	466	697
Underwriter discount	51	105	156
Closing costs	<u>49</u>	<u>104</u>	<u>153</u>
Total uses of funds	<u>\$ 2,933</u>	<u>\$ 6,630</u>	<u>\$ 9,563</u>

A subset of the MPEFA Project Financing Bonds totaling \$525,000 was structured as Special Sinking Fund Bonds for which promises-to-give from School donors were pledged as collateral. During the year the School redeemed \$75,000 of the Special Sinking Fund Bonds, which the School expects to be fully redeemed within the next 2-4 years from promises-to-give to be collected from capital fundraising campaign donors.

Additional information about the School's long-term debt can be found in note 8 beginning on page 35.

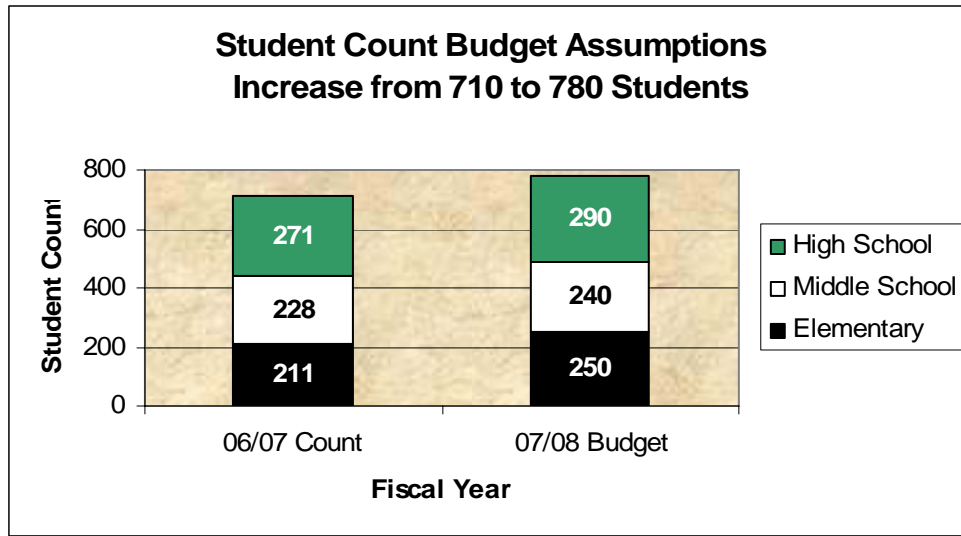
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the School's administration during the process of developing the fiscal year 2007-08 budget. The principal factor was the School's anticipated student enrollment, which drives staffing requirements and other variable costs. Staffing costs typically represent more than 70 percent of general fund expenditures.

Budgeted Student Count

The principal factor driving operating revenues and expenses is the count of students enrolled and in attendance at Black River on the fall count day in September and spring count day in February. The School's open enrollment policy was adjusted slightly for the 2006-07 academic year by stipulating for open enrollment for Fall 2006 to close on the last Monday in February 2006, a month earlier than the previous year. This early date allows for management to plan for the size of each grade during the spring budgeting and strategic planning process.

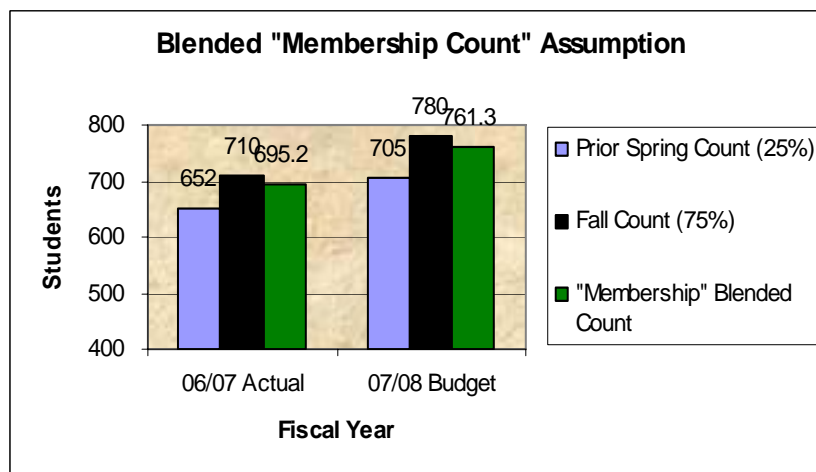
**Black River Public School
Management's Discussion and Analysis
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Each grade at the secondary level is planned based on sections of approximately 20 students. The budgeted increase in the size of the elementary school results from the addition of Black River's first kindergarten program for the fall of 2007, for which one teacher and one teacher assistant will instruct two half-day sections planned at 20 students each. The planned increase in size of the middle school results from adding a fourth section of eighth grade. The planned growth in the high school follows from graduation of three sections of the Class of 2007 while advancing four sections into 9th grade for 2007-08.

Budgeted State School Aid, Foundation Grant

The state foundation grant revenue is determined by multiplying the blended student count by the per-pupil foundation allowance. Generally, the membership count is computed by adding 75% of the current fall count to 25% of the prior spring count. The 2008 budget was built on a membership blend of 761.25 as illustrated in the following table.



**Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Foundation revenue for 2007-08 is budgeted to increase accordingly as illustrated in the following table:

**Student Membership and Foundation Grant Revenue
Last Five Fiscal Years, with 2007-08 Budget**

Fiscal Year	Fall Count (FTE)	Membership Pupils	Per-Pupil Foundation Allowance	Total Foundation Grant
2002-03	415.00	386.43	\$ 6,838	\$ 2,642,408
2003-04	487.80	467.67	6,764	3,163,320
2004-05	584.15	574.71	6,838	3,929,867
2005-06	660.60	637.14	7,013	4,468,263
2006-07	709.60	695.16	7,223	5,021,141
2007-08	780.00	761.30	7,223	5,498,870

A provision in the State School Aid Act specifies that for a grade not offered in the previous school year the fall student count for that grade is blended 50/50 with the current school year spring count for that grade. The School expects to have 40 students in the new kindergarten grade for both the fall and spring counts for 2007-08 and expects to have a membership effect of 40 membership pupils rather than 30, which would be the 75/25 blend with the zero pupils enrolled in kindergarten in the previous school year. Based on the per-pupil foundation allowance budgeted (at no change from previous year), an additional \$72,230 would be realized for 2007-08. For budgetary purposes, the School has not used the advantageous new-grade-blend for the budget as a reserve against possible reduction of school aid revenues that could result if the State of Michigan experiences a shortfall in its revenues.

Budgeted Staffing Resources

Based on student registrations at the close of open enrollment, staffing was budgeted for 2007-08 as shown in the following table:

**Staffing Level History (FTE)
Last Five Fiscal Years, with 2007-08 Budget**

	<u>02/03</u>	<u>03/04</u>	<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>
Instructional Staff:						
Elementary	3.40	4.50	8.50	10.95	11.50	13.60
Middle School	10.10	11.95	11.95	11.80	12.52	14.05
High School	12.20	15.20	13.90	16.50	17.80	18.60
Compensatory Ed	-	-	2.00	2.00	2.50	3.00
Special Education	4.00	5.15	4.80	5.85	7.41	8.00
Instruction Subtotal	29.70	36.80	41.15	47.10	51.73	57.25
Other Staff	9.30	8.05	9.65	10.05	11.35	12.00
Total Staffing	39.00	44.85	50.80	57.15	63.08	69.25

Budgeted Revenues and Expenditures

Taking into consideration all these factors, management developed the 2007-08 general fund budget as shown in the following table:

Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2007

General Fund Changes in Fund Balance
Last Five Fiscal Years, with 2007-08 Budget
(dollars in thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Revenues	<u>\$3,086</u>	<u>\$3,586</u>	<u>\$4,609</u>	<u>\$5,044</u>	<u>\$5,815</u>	<u>\$6,453</u>
Expenditures						
Current:						
Instruction	1,438	1,807	2,114	2,412	2,813	3,290
Support services	1,160	1,175	1,396	1,492	1,654	1,851
Capital outlay	-	-	52	82	2	50
Debt Service:						
Principal	-	26	92	241	272	241
Interest	-	12	25	23	18	9
Total expenditures	<u>2,598</u>	<u>3,020</u>	<u>3,679</u>	<u>4,250</u>	<u>4,759</u>	<u>5,441</u>
Rev over/(under) Exp	488	566	930	794	1,056	1,012
Transfers:						
to Special Revenue	(62)	(77)	(60)	(47)	(59)	(49)
to Debt Service	(449)	(397)	(402)	(463)	(603)	(678)
to Capital Projects	-	(82)	(179)	(80)	(80)	(80)
Change in fund balance	(23)	10	289	204	314	205
Fund balance, beginning	<u>106</u>	<u>83</u>	<u>93</u>	<u>382</u>	<u>586</u>	<u>900</u>
Fund balance, ending	<u>\$ 83</u>	<u>\$ 93</u>	<u>\$ 382</u>	<u>\$ 586</u>	<u>\$ 900</u>	<u>\$1,105</u>
Fund balance as a percentage of expenditures plus transfers	2.7%	2.6%	8.8%	12.1%	16.4%	17.7%

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The School's financial statements are designed to present users – citizens, taxpayers, customers, investors and creditors – with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the School's business office at Black River Public School, 491 Columbia Avenue, Holland, MI 49423-4838.



BASIC FINANCIAL STATEMENTS

Black River Public School
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS	
Cash and cash equivalents (Note 3)	\$ 858,792
Investments (Note 3)	1,033,410
Accounts receivable	1,477
Due from other governmental units	1,069,651
Pledges receivable	348,204
Deferred charges	298,300
Capital assets (Note 4):	
Non-depreciable	579,083
Depreciable, net	<u>11,376,659</u>
 Total assets	 <u>15,565,576</u>
LIABILITIES	
Accounts payable	497,453
Line of credit (Note 6)	-
Accrued expenses	186,129
Due to other governmental units	35,413
Unearned revenue	75,081
Long-term liabilities (Note 8):	
Due within one year	601,298
Due in more than one year	8,725,381
Deferred loss on refunding	<u>(342,000)</u>
 Total liabilities	 <u>9,778,755</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,629,063
Restricted for capital projects	726,701
Restricted for debt service	1,508,511
Unrestricted	<u>922,546</u>
 Total net assets	 <u><u>\$ 5,786,821</u></u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Statement of Activities
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 3,061,160	\$ -	\$ 690,304	\$ (2,370,856)
Supporting services	1,692,257	-	27,800	(1,664,457)
Food services	62,457	36,803	29,619	3,965
Athletics	65,652	3,788	-	(61,864)
Yearbook	11,669	8,865	-	(2,804)
Interest on long-term debt	503,156	-	-	(503,156)
Total governmental activities	<u>\$ 5,396,351</u>	<u>\$ 49,456</u>	<u>\$ 747,723</u>	<u>(4,599,172)</u>
General revenues:				
Contributions from private sources:				
Restricted for capital projects				136,206
Unrestricted				81,942
State of Michigan school aid, unrestricted				4,966,417
Miscellaneous general revenue				60,325
Unrestricted investment earnings				<u>118,619</u>
Total general revenues				<u>5,363,509</u>
Change in net assets				764,337
Net assets, beginning of year				<u>5,022,484</u>
Net assets, end of year				<u>\$ 5,786,821</u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non- Major Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 391,197	\$ -	\$ 448,375	\$ 19,220	\$ 858,792
Investments	-	1,033,410	-	-	1,033,410
Accounts receivable	1,477	-	-	-	1,477
Due from other funds	1,202	-	-	10,141	11,343
Due from other governmental units	1,069,651	-	-	-	1,069,651
Pledges receivable	-	-	348,204	-	348,204
Total assets	<u>\$ 1,463,527</u>	<u>\$ 1,033,410</u>	<u>\$ 796,579</u>	<u>\$ 29,361</u>	<u>\$ 3,322,877</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 427,575	\$ -	\$ 69,878	\$ -	\$ 497,453
Due to other funds	10,141	-	-	1,202	11,343
Due to other governments	35,413	-	-	-	35,413
Deferred revenue	90,734	-	348,204	8,370	447,308
Total liabilities	<u>563,863</u>	<u>-</u>	<u>418,082</u>	<u>9,572</u>	<u>991,517</u>
Fund balances:					
Unreserved, reported in:					
General fund	899,664	-	-	-	899,664
Special revenue funds	-	-	-	19,789	19,789
Debt service	-	1,033,410	-	-	1,033,410
Capital projects	-	-	378,497	-	378,497
Total fund balances	<u>899,664</u>	<u>1,033,410</u>	<u>378,497</u>	<u>19,789</u>	<u>2,331,360</u>
Total liabilities and fund balances	<u>\$ 1,463,527</u>	<u>\$ 1,033,410</u>	<u>\$ 796,579</u>	<u>\$ 29,361</u>	<u>\$ 3,322,877</u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 2,331,360
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	13,966,577
Deduct - accumulated depreciation	(2,010,835)

Certain assets, such as pledges receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund.

Add - deferred pledges receivable	348,204
Add - deferred program revenues receivable	24,023

Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - notes & contracts payable	(9,326,679)
Deduct - accrued liabilities	(186,129)

Unamortized bond issue costs, premiums, and deferred refunding costs are not recorded in the fund statements, but are recorded as noncurrent assets/liabilities in the statement of net assets

Add - deferred charges	298,300
Add - deferred loss on refunding	342,000

Net assets of governmental activities	<u><u>\$ 5,786,821</u></u>
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The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	Debt Service	Capital Projects	Non- Major Funds	Total
REVENUE					
Local sources	\$ 471,059	\$ 35,008	\$ 377,714	\$ 51,409	\$ 935,190
Intermediate sources	27,800	-	-	-	27,800
State sources	5,148,681	-	-	1,046	5,149,727
Federal sources	167,121	-	-	28,573	195,694
Total revenue	<u>5,814,661</u>	<u>35,008</u>	<u>377,714</u>	<u>81,028</u>	<u>6,308,411</u>
EXPENDITURES					
Current:					
Instruction	2,813,233	-	-	-	2,813,233
Supporting services	1,653,993	-	-	127,801	1,781,794
Capital outlay	1,582	-	3,057,604	-	3,059,186
Debt service:					
Principal	272,091	75,000	-	-	347,091
Interest	18,103	300,466	-	-	318,569
Bond issuance costs	-	209,445	99,967	-	309,412
Total expenditures	<u>4,759,002</u>	<u>584,911</u>	<u>3,157,571</u>	<u>127,801</u>	<u>8,629,285</u>
Revenue over (under) expenditures	<u>1,055,659</u>	<u>(549,903)</u>	<u>(2,779,857)</u>	<u>(46,773)</u>	<u>(2,320,874)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	2,940,000	-	2,940,000
Bond discount	-	-	(6,910)	-	(6,910)
Refunding bonds issued	-	5,945,000	-	-	5,945,000
Bond premium	-	6,933	-	-	6,933
Payment to refunded bond escrow agent	-	(5,955,731)	-	-	(5,955,731)
Transfers in	-	908,920	80,000	59,287	1,048,207
Transfers out	(741,787)	-	(306,420)	-	(1,048,207)
Total other financing sources (uses)	<u>(741,787)</u>	<u>905,122</u>	<u>2,706,670</u>	<u>59,287</u>	<u>2,929,292</u>
Net changes in fund balances	313,872	355,219	(73,187)	12,514	608,418
Fund balances, beginning of year	<u>585,792</u>	<u>678,191</u>	<u>451,684</u>	<u>7,275</u>	<u>1,722,942</u>
Fund balances, end of year	<u>\$ 899,664</u>	<u>\$ 1,033,410</u>	<u>\$ 378,497</u>	<u>\$ 19,789</u>	<u>\$ 2,331,360</u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$ 608,418
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - additions to capital assets	3,094,712
Deduct - depreciation expense	(331,921)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but a reduction in long-term liabilities on the statement of net assets.

Deduct - issuance of bonds	(2,940,000)
Add - discount on bonds issued	6,910
Deduct - refunding bonds issued	(5,945,000)
Deduct - premium on refunding bonds issued	(6,933)
Add - payment to refunded bond escrow agent	5,955,731
Add - unamortized bond issuance costs	309,412
Add - principal payments on long-term liabilities	347,091

Some revenues reported in the statement of activities do not create current financial resources and therefore are not reported as revenues in the funds.

Deduct - change in deferred receivables	(147,723)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - amortization expense on net deferred bond costs	(24,444)
Deduct - decrease in accrued liabilities	(161,916)

Change in net assets of governmental activities	<u><u>\$ 764,337</u></u>
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The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Statement of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUE				
Local sources	\$ 445,000	\$ 480,000	\$ 471,059	\$ (8,941)
Intermediate sources	27,000	27,000	27,800	800
State sources	5,086,000	5,147,000	5,148,681	1,681
Federal sources	174,000	166,000	167,121	1,121
Total revenue	<u>5,732,000</u>	<u>5,820,000</u>	<u>5,814,661</u>	<u>(5,339)</u>
EXPENDITURES				
Current:				
Instruction	2,725,000	2,907,000	2,813,233	93,767
Supporting services	1,666,000	1,714,000	1,653,993	60,007
Capital outlay	20,000	7,000	1,582	5,418
Debt service:				
Principal	243,940	272,700	272,091	609
Interest	16,790	18,300	18,103	197
Total expenditures	<u>4,671,730</u>	<u>4,919,000</u>	<u>4,759,002</u>	<u>159,998</u>
Revenue over expenditures	1,060,270	901,000	1,055,659	154,659
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(670,000)</u>	<u>(748,000)</u>	<u>(741,787)</u>	<u>6,213</u>
Net changes in fund balances	390,270	153,000	313,872	160,872
Fund balances, beginning of year	<u>585,792</u>	<u>585,792</u>	<u>585,792</u>	<u>-</u>
Fund balances, end of year	<u>\$ 976,062</u>	<u>\$ 738,792</u>	<u>\$ 899,664</u>	<u>\$ 160,872</u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

ASSETS

Cash and cash equivalents	<u>\$ 48,559</u>
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LIABILITIES

G.W. Haworth Memorial Fund	\$ 25,000
Due to BRPS parent organization	14,509
Faculty/staff appreciation account	1,421
Due to student and other groups	<u>7,629</u>
Total liabilities	<u>\$ 48,559</u>

The accompanying notes are an integral part of these basic financial statements.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Black River Public School (the "School") consistently applied in the preparation of the accompanying financial statements follows.

Black River Public School, Holland, Michigan, is a not-for-profit Michigan public school academy, which provides education to children in grades 1-12 from the surrounding community. Black River Public School operates under a charter approved by the Board of Trustees of Grand Valley State University, which is responsible for oversight of the School's operations.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Black River Public School. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the School reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The School had no *business-type activities* during the year ended June 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted State school aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (reporting the School as a whole) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State school aid is recognized as revenue in the fiscal year of the school year for which it is apportioned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting and does not have a measurement focus.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

Governmental fund financial statements (reporting the School's major funds) are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State school aid, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the school.

Governmental Funds

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds. The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund and is used to record the general operations of the School pertaining to education. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The *debt service fund* accounts for receipt of funds and payment of interest, principal, and related cost of certain long term debt.

The *capital projects fund* accounts for the accumulation and disbursement of resources for the acquisition or construction of major capital items.

Additionally, the School reports the following fund types:

Special revenue funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The School maintains three special revenue funds: Food Service, Interscholastic Athletics, and Yearbook.

Fiduciary funds are used to account for assets held by the School in a trustee capacity or as agent. The School's only fiduciary fund is the Agency Fund, which is used to account for assets held by the School as agent for student activities and other school-related organizations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all unrestricted state aid, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP) for general and special revenue funds as required by the State of Michigan Uniform Budgeting and Accounting Act, as amended by Public Act 621 of 1978 ("Public Act 621"). The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Head of School and Director of Business Services submit to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain public comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. Adoption and amendments of all budgets used by the School are governed by Public Act 621, which was followed for the year ended June 30, 2007. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget developed by the Head of School and Director of Business Services. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

Encumbrances

The School does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Deposits and Investments

The School considers cash on hand, demand deposits and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All investments are recorded at fair value.

**Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007**

Receivables

The School follows the practice of recording as receivables revenues that have been earned but not yet received. Pledges receivable includes \$177,044 expected to be collected in more than one year.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Machinery and equipment	10-20
Vehicles	5-8

Accrued Expenses

A liability is recorded at June 30 for amounts owed to Education Associates, the School's non-profit management company, for those amounts owed by Education Associates to teachers and other staff members who do not work during the summer but are contracted to have their salaries paid over a twelve-month period. This has the effect of properly charging these contracted staffing costs to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The School has also recorded accrued expense for amounts to be reimbursed to Education Associates after June 30, 2007, for the post-year-end cost to Education Associates of funding FICA, staff health insurance and compensated absences costs, as well as retirement plan funding, related to the services of School staff during the school year and fiscal year ended June 30, 2007.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, premiums and discounts, as well as issuance costs, are capitalized and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

Bonded Construction Costs

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital project activities, the School has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

The capital project for which the bonds were issued was considered substantially complete as of June 27, 2007, and the bond proceeds were fully expended in the current fiscal year. A portion of the project cost was financed through local contributions, as planned.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the School Board for future expenditures.

The School has no reservations or designations of fund balances at June 30, 2007.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Foundation Revenue

The State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by Michigan's State School Aid Act (Public Act 94 of 1979, as amended) and the Revised School Code (Public Act 451 of 1976, as amended). The Michigan Department of Education administers the allocation of state funds to public schools based on information supplied by the schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. As a public school academy, the School is not eligible to receive any portion of local non-homestead property taxes. The state revenue is recognized during the foundation period (currently the fiscal year).

Interfund Transactions

During the course of normal operations, the School has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the School. As of June 30, 2007, the only interfund payable/receivable balances were for \$1,202 owed to the General Fund by the Yearbook Fund and \$10,141 owed to the Athletics Fund by the General Fund.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STATE OF MICHIGAN SCHOOL AID

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by appropriations from the state legislature pursuant to the State School Aid Act. State funding provided 88% of general fund revenue to the School during the 2007 fiscal year.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$858,792	\$48,559	\$907,351

Statutory Authority

Michigan law authorizes the School to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Black River Public School's investment policy allows for all of these types of investments.

**Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007**

Deposits are in one (1) financial institution located in Michigan. State policy limits the School's investing options to financial institutions located in Michigan. All accounts are in the name of the School and a specific fund or common account. They are recorded in School records at fair value.

The School chooses to disclose its investments by specifically identifying each. As of year end, the School had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Wells Fargo Advantage Government Money Market Fund #743	Average of 18 days	\$1,033,410	S&P AAAm

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and state law does not require a policy for deposit custodial credit risk. As of year end \$831,456 of the School's bank balance of \$931,456 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has not adopted and state law does not require a policy for investment custodial credit risk. Of the above investments custodial credit risk cannot be determined because the investments are not in specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are held in one investment managed pursuant to a trust agreement.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Nondepreciable capital assets:				
Land	\$ 452,430	\$ -	\$ -	\$ 452,430
Construction in progress	148,359	126,653	(148,359)	126,653
Total nondepreciable capital assets	600,789	126,653	(148,359)	579,083
Depreciable capital assets:				
Buildings and improvements	9,999,386	2,998,714	-	12,998,100
Machinery and equipment	196,190	117,704	-	313,894
Vehicles	75,500	-	-	75,500
Total depreciable capital assets	10,271,076	3,116,418	-	13,387,494
Less accumulated depreciation:				
Buildings and improvements	1,560,756	296,705	-	1,857,461
Machinery and equipment	82,125	25,654	-	107,779
Vehicles	36,033	9,562	-	45,595
Total accumulated depreciation	1,678,914	331,921	-	2,010,835
Total capital assets being depreciated, net	8,592,162	2,784,497	-	11,376,659
Government activities capital assets, net	<u>\$9,192,951</u>	<u>\$2,911,150</u>	<u>\$(148,359)</u>	<u>\$11,955,742</u>

For governmental activities, depreciation expense was charged to functions as follows:

Instruction	\$247,927
Supporting services	70,334
Food service	7,550
Athletics	6,110
	<u>6,110</u>
Governmental activities depreciation expense	<u>\$331,921</u>

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers primarily reflect subsidies allocated from the General Fund. In addition, a portion of bond proceeds was transferred from the capital projects fund to finance the creation of a bond reserve account in the debt service fund.

	<u>In</u>	<u>Out</u>
Interfund transfers		
General fund	\$ -	\$ 741,787
Debt service	908,920	-
Capital projects	80,000	306,420
Nonmajor funds:		
Athletics special revenue	58,537	-
Yearbook special revenue	750	-
	<u> </u>	<u> </u>
Total	<u>\$1,048,207</u>	<u>\$1,048,207</u>

6. LINE OF CREDIT

The School receives operating cash flow by utilizing an \$700,000 revolving line of credit with Chemical Bank, which is authorized by an Order of Approval by the Department of Treasury of the State of Michigan pursuant to Section 1225 of the Michigan Revised School Code. The line of credit is secured by a pledge of 30 percent of the state school aid funds that are apportioned to the School for its current fiscal year. The line of credit bears interest at a fixed rate of 5.25%. The School had no outstanding balance on this credit line at June 30, 2007.

7. OPERATING LEASES

The School leases two copiers through one lease agreement, which requires minimum monthly payments of \$993 through July 2008 and another two copiers through another lease agreement, which requires minimum monthly payments of \$254 through October 2008.

The School also leases a postage meter which requires quarterly payments of \$231, through July 2008.

Rental expense under all operating lease agreements was \$24,327 for the year ended June 30, 2007.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

8. LONG-TERM DEBT

The following is a summary of debt transactions of the School for the year ended June 30, 2007:

	Long-term Debt				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
\$5,770,000 – 2000 Certificates of participation issue consists of \$745,000 serial certificates due in installments of \$75,000 to \$115,000 in the years 2003 through 2010 with interest of 6.10% to 6.75%. Also consisting of \$5,025,000 term certificates due in installments of \$120,000 to \$445,000 years 2011 through 2030 with interest at 7.00% to 7.25%. (Advance refunded in July 2006).	\$5,440,000	\$ -	\$(5,440,000)	\$ -	\$ -
\$8,885,000 – 2006 Revenue and Refunding Bonds due in installments of \$215,000 to \$595,000 in the years 2008 through 2031 with interest at 5.15% to 5.80%.					
Refunding portion	-	5,945,000	-	5,945,000	100,000
Project portion	-	2,415,000	-	2,415,000	35,000
Sinking fund portion	-	525,000	(75,000)	450,000	225,000
Capital leases payable to Blue Bird Leasing for two 30 passenger buses requiring an annual payment of \$10,188 including interest at 3.7% through July 2006 with a final payment of \$29,610 including interest due on June 30, 2007.	36,864	-	(36,864)	-	-
Note payable to BASF Corporation for property, at 0% interest, requiring five equal annual installments of \$69,309 beginning on January 1, 2006.	277,237	-	(69,309)	207,928	69,309
2003 note payable to Chemical Bank, due July 21, 2008, for the purchase of a six-classroom modular building, requiring quarterly payments of \$20,015, including interest at 3.69% through July 2008.	185,486	-	(80,504)	104,982	83,535
2004 note payable to Chemical Bank, due July 21, 2009, for the purchase of an eight-classroom modular building, requiring quarterly payments of \$23,672, including interest at 3.59% through July 2009.	289,183	-	(85,414)	203,769	88,454
Total	\$6,228,770	\$8,885,000	\$(5,787,091)	\$9,326,679	\$601,298

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007

Following is a summary of future principal maturities and interest requirements. Principal payments for the Special Sinking Fund Bonds are based on estimates of donor promises-to-give scheduled to be collected in each fiscal year.

	Installment Purchases		Refunding Bonds		Series 2006 Bonds Payable		Special Sinking Fund Bonds	
					Project Financing Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$241,298	\$ 9,012	\$ 100,000	\$ 327,756	\$ 35,000	\$ 133,401	\$225,000	\$21,119
2009	182,484	3,162	135,000	321,978	55,000	131,186	150,000	10,219
2010	92,897	215	140,000	315,136	55,000	128,450	75,000	2,044
2011	-	-	150,000	307,849	60,000	125,560	-	-
2012	-	-	155,000	300,089	60,000	122,508	-	-
2013-2017	-	-	910,000	1,366,226	360,000	559,680	-	-
2018-2022	-	-	1,215,000	1,079,210	505,000	441,565	-	-
2023-2027	-	-	1,560,000	693,840	635,000	285,340	-	-
2028-2031	-	-	1,580,000	188,790	650,000	77,720	-	-
Total	\$516,679	\$12,389	\$5,945,000	\$4,900,874	\$2,415,000	\$2,005,410	\$450,000	\$33,382

Advance Refunding

During fiscal year 2007, the School advance refunded \$5,440,000 of Series 2000 certificates of participation to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$5,440,000 of refunded debt. As a result, the certificates are considered defeased and the liability has been removed from the statement of net assets. The refunding resulted in a savings of \$536,521 and an economic gain of \$275,925.

9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for all the above mentioned types of risks of loss including general liability, property damage, workers' compensation, and medical benefits provided to employees. Settled claims have not exceeded the commercial coverage in any of the three prior years.

10. CONTINGENCIES

Federal Grant Programs

The School participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School expects such amounts, if any, not to be material.

11. CHARTER AGENCY OVERSIGHT FEES

Pursuant to the charter contract between Grand Valley State University (the "Authorizer") and the School, the School pays the Authorizer an administrative oversight fee equal to 3% of the state school aid received by the School.

**Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2007**

12. CONSTRUCTION COMMITMENTS

At June 30, 2007, the School had outstanding commitments in the amount of approximately \$156,000 for construction contracts.

* * * * *



SUPPLEMENTARY INFORMATION



Black River Public School
Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUE				
Local sources	\$ 445,000	\$ 480,000	\$ 471,059	\$ (8,941)
Intermediate sources	27,000	27,000	27,800	800
State sources	5,086,000	5,147,000	5,148,681	1,681
Federal sources	174,000	166,000	167,121	1,121
Total revenue	<u>5,732,000</u>	<u>5,820,000</u>	<u>5,814,661</u>	<u>(5,339)</u>
EXPENDITURES				
Instruction:				
Elementary	610,000	641,000	623,562	17,438
Middle School	688,000	715,000	696,619	18,381
High School	982,000	1,098,000	1,062,027	35,973
Special Education	330,000	350,000	338,203	11,797
Title I Compensatory education	115,000	103,000	92,822	10,178
Total instruction	<u>2,725,000</u>	<u>2,907,000</u>	<u>2,813,233</u>	<u>93,767</u>
Supporting services:				
Pupil services	205,000	239,000	227,764	11,236
Instructional staff	91,000	107,000	99,734	7,266
Charter agency oversight	152,000	150,000	148,752	1,248
General administration	187,000	193,000	186,852	6,148
School administration	227,000	235,000	230,374	4,626
Support services business	266,000	238,000	228,065	9,935
Operation and maintenance	417,000	425,000	410,161	14,839
Pupil transportation services	33,000	37,000	32,989	4,011
Technology	88,000	90,000	89,302	698
Total supporting services	<u>1,666,000</u>	<u>1,714,000</u>	<u>1,653,993</u>	<u>60,007</u>
Capital outlay	<u>20,000</u>	<u>7,000</u>	<u>1,582</u>	<u>5,418</u>
Debt service:				
Principal	243,940	272,700	272,091	609
Interest	16,790	18,300	18,103	197
Total debt service	<u>260,730</u>	<u>291,000</u>	<u>290,194</u>	<u>806</u>
Total expenditures	<u>4,671,730</u>	<u>4,919,000</u>	<u>4,759,002</u>	<u>159,998</u>
Revenue over expenditures	<u>1,060,270</u>	<u>901,000</u>	<u>1,055,659</u>	<u>154,659</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to:				
Athletics	(67,000)	(64,750)	(58,537)	6,213
Yearbook	-	(750)	(750)	-
Debt service	(523,000)	(602,500)	(602,500)	-
Capital projects	(80,000)	(80,000)	(80,000)	-
Total other financing sources (uses)	<u>(670,000)</u>	<u>(748,000)</u>	<u>(741,787)</u>	<u>6,213</u>
Net changes in fund balances	390,270	153,000	313,872	160,872
Fund balances, beginning of year	<u>585,792</u>	<u>585,792</u>	<u>585,792</u>	<u>-</u>
Fund balances, end of year	<u>\$ 976,062</u>	<u>\$ 738,792</u>	<u>\$ 899,664</u>	<u>\$ 160,872</u>

**Black River Public School
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

	Special Revenue			
	Food Service	Athletics	Yearbook	Total
ASSETS				
Cash and cash equivalents	\$ 14,096	\$ 2,265	\$ 2,859	\$ 19,220
Due from other funds	-	10,141	-	10,141
Total assets	<u>14,096</u>	<u>12,406</u>	<u>2,859</u>	<u>29,361</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 1,202	\$ 1,202
Deferred revenue	-	8,370	-	8,370
Total liabilities	<u>-</u>	<u>8,370</u>	<u>1,202</u>	<u>9,572</u>
Fund balances:				
Unreserved, undesignated	<u>14,096</u>	<u>4,036</u>	<u>1,657</u>	<u>19,789</u>
Total liabilities and fund balances	<u>\$ 14,096</u>	<u>\$ 12,406</u>	<u>\$ 2,859</u>	<u>\$ 29,361</u>

Black River Public School
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue			
	Food Service	Athletics	Yearbook	Total
REVENUE				
Local sources	\$ 37,472	\$ 4,854	\$ 9,083	\$ 51,409
State sources	1,046	-	-	1,046
Federal sources	28,573	-	-	28,573
Total revenue	<u>67,091</u>	<u>4,854</u>	<u>9,083</u>	<u>81,028</u>
EXPENDITURES				
Current:				
Food service	56,590	-	-	56,590
Athletics	-	59,542	-	59,542
Yearbook	-	-	11,669	11,669
Total expenditures	<u>56,590</u>	<u>59,542</u>	<u>11,669</u>	<u>127,801</u>
Revenue over (under) expenditures	10,501	(54,688)	(2,586)	(46,773)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>58,537</u>	<u>750</u>	<u>59,287</u>
Net changes in fund balances	10,501	3,849	(1,836)	12,514
Fund balances, beginning of year	<u>3,595</u>	<u>187</u>	<u>3,493</u>	<u>7,275</u>
Fund balances, end of year	<u>\$ 14,096</u>	<u>\$ 4,036</u>	<u>\$ 1,657</u>	<u>\$ 19,789</u>

Black River Public School
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
Food Service Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUE				
Local sources	\$ 32,300	\$ 34,440	\$ 37,472	\$ 3,032
State sources	1,100	1,046	1,046	-
Federal sources	27,700	27,950	28,573	623
Total revenue	61,100	63,436	67,091	3,655
EXPENDITURES				
Supporting services	62,000	62,000	56,590	5,410
Net changes in fund balances	(900)	1,436	10,501	9,065
Fund balances, beginning of year	3,595	3,595	3,595	-
Fund balances, end of year	\$ 2,695	\$ 5,031	\$ 14,096	\$ 9,065

Black River Public School
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
Athletics Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUE				
Local sources	\$ 3,000	\$ 5,250	\$ 4,854	\$ (396)
EXPENDITURES				
Supporting services	67,000	67,000	59,542	7,458
Revenue (under) expenditures	(64,000)	(61,750)	(54,688)	7,062
OTHER FINANCING SOURCES				
Transfers in	67,000	64,750	58,537	(6,213)
Net changes in fund balances	3,000	3,000	3,849	849
Fund balances, beginning of year	187	187	187	-
Fund balances, end of year	<u>\$ 3,187</u>	<u>\$ 3,187</u>	<u>\$ 4,036</u>	<u>\$ 849</u>

Black River Public School
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
Yearbook Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUE				
Local sources	\$ 8,100	\$ 8,770	\$ 9,083	\$ 313
EXPENDITURES				
Supporting services	7,800	12,300	11,669	631
Revenue over (under) expenditures	300	(3,530)	(2,586)	944
OTHER FINANCING SOURCES				
Transfers in	-	750	750	-
Net changes in fund balances	300	(2,780)	(1,836)	944
Fund balances, beginning of year	3,493	3,493	3,493	-
Fund balances, end of year	<u>\$ 3,793</u>	<u>\$ 713</u>	<u>\$ 1,657</u>	<u>\$ 944</u>

Black River Public School
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

	Agency Activities Fund			
	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 19,374	\$ 164,604	\$ 135,419	\$ 48,559
LIABILITIES				
G.W. Haworth Memorial Fund	\$ -	\$ 25,000	\$ -	\$ 25,000
Due to BRPS parent organization	12,329	46,982	44,802	14,509
Faculty/staff appreciation account	1,344	1,000	923	1,421
Due to student and other groups	5,701	91,622	89,694	7,629
Total liabilities	\$ 19,374	\$ 164,604	\$ 135,419	\$ 48,559



STATISTICAL SECTION

**Black River Public School
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets net of related debt	\$ 2,516,939	\$ 2,561,899	\$ 2,691,677	\$ 2,964,181	\$ 2,629,063
Restricted	706,589	598,587	918,446	1,484,393	2,235,212
Unrestricted	107,798	112,368	377,928	573,910	922,546
Total governmental activities net assets	<u>\$ 3,331,326</u>	<u>\$ 3,272,854</u>	<u>\$ 3,988,051</u>	<u>\$ 5,022,484</u>	<u>\$ 5,786,821</u>

Note: The school implemented GASB Statement 34 beginning in 2004.
Information for 2003 was presented as unaudited prior year information in 2004.

Source: Business Office, Black River Public School

**Black River Public School
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
Instruction	\$ 1,631,656	\$ 2,015,396	\$ 2,340,948	\$ 2,641,026	\$ 3,061,160
Support services	1,069,993	1,236,808	1,446,205	1,548,459	1,692,257
Food services	39,098	48,332	58,208	66,670	62,457
Athletics activities	60,171	68,227	56,448	55,407	65,652
Yearbook fund	4,247	8,698	8,349	9,054	11,669
Interest	406,360	413,085	420,163	410,039	503,156
Total governmental activities expenses	<u>\$ 3,211,525</u>	<u>\$ 3,790,546</u>	<u>\$ 4,330,321</u>	<u>\$ 4,730,655</u>	<u>\$ 5,396,351</u>
Program Revenues					
Governmental activities:					
Charges for services	\$ 16,457	\$ 22,824	\$ 34,952	\$ 43,603	\$ 49,456
Operating grants and contributions	319,045	391,063	726,562	542,640	747,723
Total governmental activities program revenues	<u>\$ 335,502</u>	<u>\$ 413,887</u>	<u>\$ 761,514</u>	<u>\$ 586,243</u>	<u>\$ 797,179</u>
Net (Expense)					
Governmental activities	<u>\$ (2,876,023)</u>	<u>\$ (3,376,659)</u>	<u>\$ (3,568,807)</u>	<u>\$ (4,144,412)</u>	<u>\$ (4,599,172)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Private source contributions	\$ 138,704	\$ 154,125	\$ 396,811	\$ 708,309	\$ 218,148
State of Michigan school aid, unrestricted	2,581,228	3,119,838	3,841,051	4,388,315	4,966,417
Miscellaneous	27,606	40,196	33,888	45,931	60,325
Investment earnings	9,150	4,028	12,254	36,290	118,619
Total governmental activities	<u>\$ 2,756,688</u>	<u>\$ 3,318,187</u>	<u>\$ 4,284,004</u>	<u>\$ 5,178,845</u>	<u>\$ 5,363,509</u>
Changes in Net Assets					
Governmental activities	<u>\$ (119,335)</u>	<u>\$ (58,472)</u>	<u>\$ 715,197</u>	<u>\$ 1,034,433</u>	<u>\$ 764,337</u>

Note: The school implemented GASB Statement 34 beginning in 2004.
Information for 2003 was presented as unaudited prior year information in 2004.

Source: Business Office, Black River Public School

Black River Public School
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(584,495)	58,001	327,220	84,831	106,556	82,798	92,812	381,505	585,792	899,664
Total general fund	<u>\$ (584,495)</u>	<u>\$ 58,001</u>	<u>\$ 327,220</u>	<u>\$ 84,831</u>	<u>\$ 106,556</u>	<u>\$ 82,798</u>	<u>\$ 92,812</u>	<u>\$ 381,505</u>	<u>\$ 585,792</u>	<u>\$ 899,664</u>
	a									
All Other Governmental Funds										
Reserved										
Debt service	\$ -	\$ -	\$ 1,711,323	\$ 900,480	\$ 882,222	\$ 825,633	\$ 745,044	\$ 674,725	\$ 678,191	\$ 1,033,410
Capital projects fund	-	32,083	87,809	168,358	48,105	50,744	18,550	185,999	451,684	378,497
Unreserved, reported in:										
Special revenue funds	-	-	337	5,306	6,368	6,312	5,617	12,146	7,275	19,789
Total all other governmental funds	<u>\$ -</u>	<u>\$ 32,083</u>	<u>\$ 1,799,469</u>	<u>\$ 1,074,144</u>	<u>\$ 936,695</u>	<u>\$ 882,689</u>	<u>\$ 769,211</u>	<u>\$ 872,870</u>	<u>\$ 1,137,150</u>	<u>\$ 1,431,696</u>

Note

^a The fiscal 1998 general fund deficit resulted from two transactions to purchase capital assets that were financed by short-term debt as follows:

\$ 136,911	Debt from acquisition of portable classrooms
<u>455,000</u>	Debt from \$500,000 acquisition of land acquired for then-anticipated relocation
\$ 591,911	General fund debt supporting capital assets at June 30, 1998

The short-term debt from these transactions was properly recorded on the general fund balance sheet, rather than the long-term debt account group. The related capital assets were recorded, not in the general fund, but in the general fixed assets account group. The School's relocation plans changed in fiscal 1999 during which period the carrying value of the land was reclassified to property held for sale, resulting in a \$500,000 "financing source" in fiscal 1999 from the general fixed assets account group to the general fund, thereby eliminating the general fund deficit balance. The land was sold in fiscal 2000.

Source: Business Office, Black River Public School

Black River Public School
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues										
Local sources	\$ 67,226	\$ 222,881	\$ 297,858	\$ 234,751	\$ 309,258	\$ 319,339	\$ 412,853	\$ 658,438	\$ 750,556	\$ 935,190
Intermediate sources	-	-	-	25,866	16,934	7,720	26,400	33,420	25,480	27,800
State sources	1,570,784	1,785,812	1,849,596	1,854,224	1,988,807	2,666,493	3,212,759	3,975,781	4,514,778	5,149,727
Federal sources	28,499	37,880	64,455	15,140	32,003	74,655	85,281	169,472	181,421	195,694
Total revenues	<u>1,666,509</u>	<u>2,046,573</u>	<u>2,211,909</u>	<u>2,129,981</u>	<u>2,347,002</u>	<u>3,068,207</u>	<u>3,737,293</u>	<u>4,837,111</u>	<u>5,472,235</u>	<u>6,308,411</u>
Expenditures										
Instruction	977,346	991,200	1,003,838	1,152,101	1,099,381	1,437,785	1,806,550	2,114,147	2,411,346	2,813,233
Supporting services	612,129	716,528	939,731	1,109,985	969,274	1,259,162	1,295,465	1,512,824	1,617,056	1,781,794
Capital outlay	704,752	153,694	3,780,112	456,334	(11,482)	33,750	576,240	604,725	230,073	3,059,186
Debt service:					^c					
Principal	2,962	-	-	-	-	75,000	105,727	177,490	331,211	347,091
Interest	4,825	9,023	4,869	405,553	405,553	405,553	413,115	420,573	413,982	318,569
Bond issuance costs	-	-	246,400	-	-	-	-	-	-	309,412
Total expenditures	<u>2,302,014</u>	<u>1,870,445</u>	<u>5,974,950</u>	<u>3,123,973</u>	<u>2,462,726</u>	<u>3,211,250</u>	<u>4,197,097</u>	<u>4,829,759</u>	<u>5,003,668</u>	<u>8,629,285</u>
Excess of revenues over (under) expenditures	<u>(635,505)</u>	<u>176,128</u>	<u>(3,763,041)</u>	<u>(993,992)</u>	<u>(115,724)</u>	<u>(143,043)</u>	<u>(459,804)</u>	<u>7,352</u>	<u>468,567</u>	<u>(2,320,874)</u>
Other financing sources (uses)										
Proceeds from borrowing	-	-	5,711,546	-	-	-	356,340	385,000	-	2,933,090
Proceeds from refunding	-	-	-	-	-	-	-	-	-	5,951,933
Payments to escrow agent	-	-	-	-	-	-	-	-	-	(5,955,731)
^a Proceeds from capital leases	111,678	-	-	-	-	60,312	-	-	-	-
Proceeds from sale of property	-	-	90,100	-	-	-	-	-	-	-
Transfers in	-	-	1,178,842	65,814	531,989	696,277	556,537	641,492	598,185	1,048,207
Transfers out	-	(1,549)	(1,180,842)	(67,314)	(531,989)	(691,310)	(556,537)	(641,492)	(598,185)	(1,048,207)
^b Other financing sources	-	500,000	-	27,778	-	-	-	-	-	-
Total other financing sources (uses)	<u>111,678</u>	<u>498,451</u>	<u>5,799,646</u>	<u>26,278</u>	<u>-</u>	<u>65,279</u>	<u>356,340</u>	<u>385,000</u>	<u>-</u>	<u>2,929,292</u>
Net change in fund balances	<u>\$ (523,827)</u>	<u>\$ 674,579</u>	<u>\$ 2,036,605</u>	<u>\$ (967,714)</u>	<u>\$ (115,724)</u>	<u>\$ (77,764)</u>	<u>\$ (103,464)</u>	<u>\$ 392,352</u>	<u>\$ 468,567</u>	<u>\$ 608,418</u>

Notes:

^a To better illustrate capital outlay trending, the results of 1997 and 1998 are restated (non-GAAP) to include ST capital lease proceeds as if LT, and to include the related capital outlay.

^b FY 1999 other financing sources amount of \$500,000 represents cost of land purchased in FY 1998 recharacterized in FY 1999 to land held for sale, a short-term investment.

^c Negative capital outlay in FY 2002 resulted from construction contracts payable estimates at prior year end being paid off at a lesser total amount than the total accrued.

Schedule B-1

**Black River Public School
Ratio of Outstanding Debt per Student ^a
Last Seven Fiscal Years**

Fiscal Year	Governmental Activities					Total Primary Government	Debt Per Student ^b
	Bonds Issued thru Conduit Authority	Certificates of Participation	Vehicle Capital Leases	Installment Purchase Contracts	General Obligation Note		
2001	\$ -	\$ 5,770,000	\$ -	\$ -	\$ -	\$ 5,770,000	\$ 19,760
2002	-	5,770,000	-	-	-	5,770,000	19,693
2003	-	5,695,000	60,312	-	-	5,755,312	13,802
2004	-	5,615,000	52,837	338,087	346,546	6,352,470	12,991
2005	-	5,530,000	45,026	638,408	346,546	6,559,980	11,214
2006	-	5,440,000	36,864	474,669	277,237	6,228,770	9,423
2007	8,810,000	-	-	308,751	207,928	9,326,679	13,136

Notes:

^a Details regarding the school's outstanding debt can be found in the notes to the financial statements.

^b See Schedule D-1 for student enrollment data.

Source: Business Office, Black River Public School

Schedule B-2**Black River Public School
Pledged-Revenue Coverage
Last Five Fiscal Years**

Fiscal Year	State School Aid	20 percent Pledged Revenues	Debt Service		Coverage
			Principal	Interest	
Full Term Certificates of Participation, Series 2000:					
2003	\$ 2,666,493	\$ 533,299	\$ 75,000	\$ 405,553	1.11
2004	3,212,759	642,552	80,000	400,978	1.34
2005	3,975,781	795,156	85,000	396,018	1.65
2006	4,514,778	902,956	90,000	390,662	1.88
School Building and Site and Refunding Bond, Series 2006:					
2007	5,149,727	1,029,945	75,000	295,836	2.78

Note: Details regarding the school's outstanding debt can be found in the notes to the financial statements. Interest-only debt service payments of \$405,553 per year were made from the capitalized interest debt service reserve account in fiscal years 2002 and 2001.

Source: Business Office, Black River Public School

Holland / West Ottawa Area Student Enrollment
Traditional Public Schools, Private Schools, and Charter Schools
Last Ten Academic Years

	Academic Year																			
	1997-98		1998-99		1999-2000		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07	
	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg
Holland Public	5,676	-1.0 %	5,619	-1.0 %	5,500	-2.1 %	5,513	0.2 %	5,470	-0.8 %	5,380	-1.6 %	5,238	-2.6 %	5,014	-4.3 %	4,855	-3.2 %	4,621	-4.8 %
	34.5%		33.3%		32.0%		31.4%		30.6%		30.0%		29.2%		28.1%		27.6%		26.8%	
West Ottawa Public	6,825	4.1	7,095	4.0	7,312	3.1	7,545	3.2	7,760	2.8	7,896	1.8	7,997	1.3	8,157	2.0	8,108	-0.6	8,012	-1.2
	41.4%		42.1%		42.6%		43.0%		43.4%		44.1%		44.6%		45.7%		46.0%		46.5%	
Holland Christian	2,637	-1.2	2,577	-2.3	2,589	0.5	2,638	1.9	2,701	2.4	2,646	-2.0	2,512	-5.1	2,372	-5.6	2,277	-4.0	2,173	-4.6
	16.0%		15.3%		15.1%		15.0%		15.1%		14.8%		14.0%		13.3%		12.9%		12.6%	
Other Private Schools	651	-3.0	639	-1.8	670	4.9	702	4.8	694	-1.1	642	-7.5	657	2.3	616	-6.2	624	1.3	615	-1.4
	4.0%		3.8%		3.9%		4.0%		3.9%		3.6%		3.7%		3.5%		3.5%		3.6%	
Eagle Crest Charter	136	1 st year	287	111	420	46.3	500	19.0	551	10.2	545	-1.1	596	9.4	638	7.0	648	1.6	665	2.6
	0.8%		1.7%		2.4%		2.8%		3.1%		3.0%		3.3%		3.6%		3.7%		3.9%	
Vanderbilt Charter	272	40.2	350	28.7	378	8.0	362	-4.2	400	10.5	399	-0.3	442	10.8	461	4.3	435	-5.6	448	3.0
	1.7%		2.1%		2.2%		2.1%		2.2%		2.2%		2.5%		2.6%		2.5%		2.6%	
Black River	269	28.7	305	13.4	303	-0.7	292	-3.6	293	0.3	417	42.3	489	17.3	585	19.6	661	13.0	710	7.4
	1.6%		1.8%		1.8%		1.7%		1.6%		2.3%		2.7%		3.3%		3.8%		4.1%	
Total Area	16,466	2.7	16,872	2.5	17,172	1.8	17,552	2.2	17,869	1.8	17,925	0.3	17,931	0.0	17,843	-0.5	17,608	-1.3	17,244	-2.1
	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

SOURCE: Ottawa Area Intermediate School District

Schedule C-2

**Black River Public School
Enrollment History by Student's Resident District
Last Six Academic Years**

Student's Resident District	Academic Year											
	2001-02		2002-03		2003-04		2004-05		2005-06		2006-07	
	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg
Holland	140 47.8%	-10.8 %	212 50.7%	51.4 %	238 48.7%	12.3 %	270 46.2%	13.4 %	310 46.9%	14.8 %	316 44.5%	1.9 %
West Ottawa	93 31.7%	-3.1	127 30.4%	36.6	149 30.5%	17.3	194 33.2%	30.2	222 33.6%	14.4	255 35.9%	14.9
Zeeland	18 6.1%	12.5	24 5.7%	33.3	32 6.5%	33.3	36 6.2%	12.5	43 6.5%	19.4	44 6.2%	2.3
Fennville	15 5.1%	50.0	18 4.3%	20.0	40 8.2%	122.2	43 7.4%	7.5	36 5.4%	-16.3	33 4.6%	-8.3
Saugatuck	12 4.1%	300.0	15 3.6%	25.0	13 2.7%	-13.3	18 3.1%	38.5	18 2.7%	0.0	24 3.4%	33.3
Other districts	15 5.1%	50.0	22 5.3%	46.7	17 3.5%	-22.7	24 4.1%	41.2	32 4.8%	33.3	38 5.4%	18.8
Total	<u>293</u> 100%	0.3	<u>418</u> 100%	42.7	<u>489</u> 100%	17.0	<u>585</u> 100%	19.6	<u>661</u> 100%	13.0	<u>710</u> 100%	7.4

Note: Information not available prior to 2001-02. Enrollment based on fall membership count.

Source: Business Office, Black River Public School.

Black River Public School
Student Enrollment as of Fall Membership Count
Last Ten Fiscal Years

Grade	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Elementary										
K	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	32	47	37
2	-	-	-	-	-	-	-	32	43	50
3	-	-	-	-	-	-	-	19	37	40
4	-	-	-	-	11	34	38	44	37	46
5	-	-	-	-	9	26	43	40	49	38
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>60</u>	<u>81</u>	<u>167</u>	<u>213</u>	<u>211</u>
Middle school										
6	57	25	31	23	35	56	56	65	72	81
7	80	57	24	38	37	61	60	66	65	81
8	54	85	54	33	41	59	77	54	64	66
	<u>191</u>	<u>167</u>	<u>109</u>	<u>94</u>	<u>113</u>	<u>176</u>	<u>193</u>	<u>185</u>	<u>201</u>	<u>228</u>
High school										
9	42	59	75	58	41	58	80	75	64	78
10	36	44	51	61	54	46	47	77	73	63
11	-	35	43	43	40	45	42	46	70	70
12	-	-	25	36	25	32	46	35	40	60
	<u>78</u>	<u>138</u>	<u>194</u>	<u>198</u>	<u>160</u>	<u>181</u>	<u>215</u>	<u>233</u>	<u>247</u>	<u>271</u>
Total	269	305	303	292	293	417	489	585	661	710

Note: Enrollment based on fall membership count.

Source: Business Office, Black River Public School.

**Black River Public School
School Building Information ^a
Last Seven Fiscal Years**

	Fiscal Year						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Black River Middle School/High School							
<i>491 Columbia Avenue</i>							
<i>Acquired/renovated in 2000, constructed in 1930</i>							
Square feet	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Capacity (students)	440	440	440	440	440	440	440
Enrollment	292	293	417	408	418	448	499 ^b
Upper Elementary 6-classroom Modular Building							
<i>509 Columbia Avenue</i>							
<i>Acquired and installed in fiscal 2004</i>							
Square feet				6,664	6,664	6,664	6,664
Capacity (students)				120	120	120	120
Enrollment				81	84	86	84
Lower Elementary 8-classroom Modular Building							
<i>521 Columbia Avenue</i>							
<i>Acquired and installed in fiscal 2005</i>							
Square feet					8,568	8,568	8,568
Capacity (students)					168	168	168
Enrollment					83	127	127

Notes:

^a Information is measured at the beginning of the academic year

^b Building was able to handle more students than capacity by scheduling each block period to have an average of 4 traveling secondary teachers who moved from room to room for each class period and taught their classes in the otherwise empty classrooms of host teachers who had a scheduled planning period at the time that the traveling teacher taught in the host teacher's classroom.

Source: Business Office, Black River Public School.

Schedule D-3

**Black River Public School
Operating Statistics, District-wide
Last Seven Fiscal Years**

Fiscal Year	Instruction Expenses	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Student/ Teacher Ratio
2001	\$ 1,152,101	292	\$3,946	19.09 %	26.60	11.0
2002	1,099,381	293	3,752	-4.90	24.90	11.8
2003	1,437,785	417	3,448	-8.11	29.70	14.0
2004	1,806,550	489	3,694	7.15	36.80	13.3
2005	2,114,147	585	3,614	-2.18	41.15	14.2
2006	2,411,346	661	3,648	0.94	47.10	14.0
2007	2,813,233	710	3,962	8.61	51.73	13.7

Note: Enrollment based on fall membership count. Teaching staff are full-time equivalents.

Source: Business Office, Black River Public School.

Black River Public School
Operating Information, Elementary and Secondary Programs
Last Seven Fiscal Years

	Fiscal Year						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Staffing - full-time equivalent							
Instructional staff							
Elementary school	-	1.00	3.40	4.50	8.50	10.95	11.50
Middle school	9.10	8.40	10.10	11.95	11.95	11.80	12.52
High School	13.75	12.05	12.20	15.20	13.90	16.50	17.80
Special education	3.75	3.45	4.00	5.15	4.80	5.85	7.41
Title I / 31a At Risk Support	-	-	-	-	2.00	2.00	2.50
Total instructional staff	26.60	24.90	29.70	36.80	41.15	47.10	51.73
Other staff	10.40	8.45	9.30	8.05	9.65	10.05	11.35
Total staffing	37.00	33.35	39.00	44.85	50.80	57.15	63.08
Elementary grades 1-5							
Instructional expenses	\$ -	\$ 48,707	\$ 165,928	\$ 216,130	\$ 497,429	\$ 590,977	\$ 623,562
Students-full time equivalent	-	20	60	81	167	213	211
Instruction cost per FTE pupil	\$ -	\$ 2,435	\$ 2,765	\$ 2,668	\$ 2,979	\$ 2,775	\$ 2,955
Teaching staff (FTE)	-	1.00	3.40	4.50	8.50	10.95	11.50
Student:teacher ratio	-	20.0	17.6	18.0	19.6	19.5	18.3
Secondary grades 6-12 (general education)							
Instructional expenses	\$ 1,028,771	\$ 915,057	\$ 1,074,837	\$ 1,355,435	\$ 1,391,033	\$ 1,491,783	\$ 1,758,646
Students-full time equivalent	286.90	268.50	349.55	396.20	405.15	437.95	490.38
Instruction cost per FTE pupil	\$ 3,586	\$ 3,408	\$ 3,075	\$ 3,421	\$ 3,433	\$ 3,406	\$ 3,586
Teaching staff (FTE)	22.85	20.45	22.30	27.15	25.85	28.30	30.32
Student:teacher ratio	12.6	13.1	15.7	14.6	15.7	15.5	16.2
Avg students in classroom	14.6	15.3	18.3	17.0	18.3	18.1	18.9
Special education program							
Instructional expenses	\$ 123,330	\$ 135,617	\$ 197,020	\$ 234,985	\$ 191,166	\$ 274,230	\$ 338,203
Students-full time equivalent	5.10	4.50	8.45	11.80	13.85	10.75	8.22
Instruction cost per FTE pupil	\$ 24,182	\$ 30,137	\$ 23,316	\$ 19,914	\$ 13,803	\$ 25,510	\$ 41,144
Teaching staff (FTE)	3.75	3.45	4.00	5.15	4.80	5.85	7.41
Student:teacher ratio	1.4	1.3	2.1	2.3	2.9	1.8	1.1
Student caseload headcount	26	21	46	65	72	69	56
Instruction cost per student	\$ 4,743	\$ 6,458	\$ 4,283	\$ 3,615	\$ 2,655	\$ 3,974	\$ 6,039

Source: Business Office, Black River Public School.

Black River Public School
Student college preparation statistics
Last Seven Academic Years

Academic Year	BRPS Graduating Class				American College Testing (ACT Exam) ^a			The College Board, Advanced Placement Program ^b								Mastery Benchmarks ^c	
	Graduates	% to post- secondary	Scholarships		Composite Score			Senior Class, throughout high school			School-wide, during academic year						
			Amount	Per capita	BRPS	State	Nation	Participants	Tests Taken	Mastery %	Participants	Tests Taken	Mastery(Seniors)	State	Nation		
2000-01	31	87 %	\$ 425,000	\$ 13,710	24.5	21.3	21.0	-	-	-	-	27	74 % (64%)	n/a	n/a		
2001-02	22	91	450,000	20,455	23.8	21.3	20.8	8	25	-	29	49	78 (81)	n/a	n/a		
2002-03	31	94	560,000	18,065	24.8	21.3	20.8	-	-	-	52	102	58 (70)	n/a	n/a		
2003-04	41	95	1,211,000	29,537	25.0	21.4	20.9	23	102	46 %	49	111	67 (78)	10.9 %	13.2 %		
2004-05	32	97	850,000	26,563	25.0	21.4	20.9	17	84	44	50	122	61 (73)	11.6	14.1		
2005-06	38	95	830,000	21,842	23.1	21.5	21.1	19	88	37	49	93	59 (56)	12.2	14.8		
2006-07	58	90	1,200,000	20,690	23.3	21.5	21.2	24	90	34	59	130	73 (77)	-	-		

Notes:

^a The ACT is a widely-accepted college entrance exam, which assesses high school students' general educational development and their ability to complete college level work.

^b AP Exam grades are reported on a 5-point scale as follows: 5=extremely well qualified to receive college credit, 4= well qualified, 3=qualified, 2=possibly qualified, 1=no recommendation
 Grades of 3, 4 and 5 are considered "mastery" scores that generally receive advanced placement college credit.

^c Percentage of students in senior class passing an AP Exam (scoring 3 or higher out of 5)

Sources: BRPS academics office, ACT Inc. and The College Board.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 11, 2007

Board of Trustees
Black River Public School
Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School, Holland, Michigan, which collectively comprise the School's basic financial statements as listed in the table of contents as of and for the year ended June 30, 2007, and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black River Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black River Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Black River Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black River Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

120 DAY BOND AUDIT





REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

October 11, 2007

Board of Trustees
Black River Public School
Holland, Michigan

We have audited the accompanying schedule of revenues and expenditures and changes in fund balance of the capital projects bonds which accounted for the proceeds and disbursement of the 2006 Revenue and Refunding Bonds, project portion, of **BLACK RIVER PUBLIC SCHOOL**, as of and for the year ended June 30, 2007. This schedule is the responsibility of Black River Public School's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the provisions of the Michigan Revised School Code, Public Act 451 of 1976, as amended, (MCL 380.1351a) as described in Note 1.

In our opinion, the schedule referred to above presents fairly, in all material respect, the results of operations of the 2006 Revenue and Refunding Bonds, project portion, of Black River Public School for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007 on our consideration of Black River Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Black River Public School
Schedule of Revenues, Expenditures and Changes in Fund Balances
2006 Revenue and Refunding Bonds, Project Portion Capital Projects Fund
For the Year Ended June 30, 2007

	<u>Project Portion</u>	<u>Local Sources</u>	<u>Total</u>
REVENUE			
Local sources	\$ 49,158	\$ 328,556	\$ 377,714
EXPENDITURES			
Capital outlay	2,650,861	406,743	3,057,604
Debt service:			
Bond issuance costs	99,967	-	99,967
Total expenditures	<u>2,750,828</u>	<u>406,743</u>	<u>3,157,571</u>
Revenue over (under) expenditures	<u>(2,701,670)</u>	<u>(78,187)</u>	<u>(2,779,857)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	2,940,000	-	2,940,000
Bond discount	(6,910)	-	(6,910)
Transfers from General Fund	-	80,000	80,000
Transfers to Debt Service Fund	<u>(231,420)</u>	<u>(75,000)</u>	<u>(306,420)</u>
Total other financing sources (uses)	<u>2,701,670</u>	<u>5,000</u>	<u>2,706,670</u>
Net changes in fund balances	-	(73,187)	(73,187)
Fund balances, beginning of year	<u>-</u>	<u>451,684</u>	<u>451,684</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ 378,497</u></u>	<u><u>\$ 378,497</u></u>



491 Columbia Avenue
Holland, MI 49423-4838
616.355.0055

www.BlackRiverPublicSchool.org



October 11, 2007

To the Board of Trustees of
Black River Public School
Holland, Michigan

We have audited the financial statements of Black River Public School for the year ended June 30, 2007, and have issued our report thereon dated October 11, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated June 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Black River Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Black River Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Black River Public School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Black River Public School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible pledges receivable is based on specific identification of balances for which receipt is doubtful.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Black River Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Black River Public School, either individually or in the aggregate, indicate matters that could have a significant effect on Black River Public School's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Black River Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.